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INDUSTRIAL INVESTMENT PROMOTION

Report by the Director-General

Summary

Reports on the industrial investment promotion activities of UNIDO, including the coordination mechanism between Headquarters and Investment Promotion Service offices.

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Introduction

1. Developing countries and economies in transition are at present looking increasingly to overseas capital and technology to accelerate industrial growth. The mobilization of resources—financial, technological and managerial—for the benefit of developing countries is a key challenge facing UNIDO. Therefore, investment promotion is a flagship programme of UNIDO. It represents one of UNIDO's major contributions for an effective and constructive entry of the developing countries into industrial globalization. UNIDO has the mandate, experience and expertise and has assumed the lead role in the United Nations system effort to attract investment resources for industry in the developing countries.

2. UNIDO enjoys a competitive advantage in industrial investment promotion. This advantage stems from its wide perspective of industrialization problems and the wealth of sectoral expertise in the major industrial branches. The advantage also stems from the long experience of the Investment Promotion Service (IPS) network, which allows daily interaction with the business communities in developed and developing countries.

3. The present report shows how the UNIDO investment promotion programme has been reoriented and enhanced to better serve the interests of both developed and developing countries. While traditional forms of technical cooperation are maintained, the future programme will be oriented more strongly towards market needs and driven by commercial considerations. The programme has been consolidating its activities to face new challenges in a rapidly changing economic and political environment. Without losing sight of the quantitative objectives, the main focus has been on improving the quality of services provided to clients. Only through constant improvement in the quality of these services can UNIDO remain relevant for and respond to the diverse needs of both traditional and new clients. Efforts are ongoing to establish alliances with different international actors, thereby optimizing the use of scarce resources, focusing on client-oriented services, strengthening the network mechanism, diversifying the range of UNIDO products and responding, on a tailor-made basis, to the requirements of clients at the Government, institutional and private-sector enterprise levels.

I. THE CURRENT PROGRAMME

4. UNIDO has been engaged in the field of investment promotion for nearly three decades. Over that period, the Organization has developed a particular approach to investment promotion and the tools to implement it. The UNIDO approach to investment is based on the promotion of specific viable industrial investment projects from developing countries. Considerable time and effort is given to the identification of such projects and to ensuring their financial soundness. This approach has the appeal that it financially benefits entrepreneurs from both developed and developing countries and is guided by commercial considerations determined by the market.

5. The integrated investment promotion programme of UNIDO involves the following main phases at three levels: governmental, institutional and private enterprise:

(a) Advice to Government on enhancing the overall investment climate and country image-building;

(b) Establishing and/or strengthening the investment promotion agency and staff training in UNIDO investment promotion methodology;

(c) Identification, formulation and screening of projects using UNIDO methodology and tools with the aim of ensuring the viability and financial/technical soundness of the projects;

(d) Promotion of investment projects, using not only the programme's focal points in different countries of the globe, but mainly its unique network of IPS offices;

(e) Project follow-up in accordance with results and requirements emanating from the promotional phase.

AN INTEGRATED PROGRAMME — UNITED REPUBLIC OF TANZANIA

The Tanzanian programme is a textbook example of UNIDO's integrated investment promotion approach. The programme embraces the range of investment promotion assistance available from UNIDO, including:

- *Advice to the Government on investment policy, including revision of the investment code;*
- *Preparation of sectoral industrial studies;*
- *In-service training, including the hosting of a delegate in an IPS and training of consultants in project preparation to UNIDO standards;*
- *Identification, formulation, screening of projects;*
- *Promotion of investment projects with potential foreign partners through IPS offices, publicity and mailing campaigns, consultants in target countries;*
- *Country presentation tours;*
- *Organization of an international investors forum from 5 to 8 November 1996, including a Techmart (meeting on technology, business opportunities and technology display);*
- *Follow-up of projects with all participants, in particular those who signed letters of intent at the forum;*
- *Project completion facility for the preparation of pre-investment/marketing studies etc., required to ensure investment decisions and implementation.*

6. UNIDO investment promotion activities are directed at a specific clientele, namely the small- and medium-sized manufacturer from developed and developing countries, mainly in the private sector. These manufacturers often lack the know-how and market knowledge to take advantage of the profits deriving from globalization. In 1995, UNIDO brokered industrial investment projects in developing countries with a total value of $862 million. Of the 107 investment projects brokered, 75 per cent had a value of less than $5 million, clearly underlining the orientation towards small- and medium-scale enterprises.

A. Investment promotion methodology and tools

7. Over the years, UNIDO has built up an array of mechanisms to ensure the quality and economic/technological soundness of investment proposals being promoted.

Pre-investment studies

8. UNIDO has a range of software, notably the Computer Model for Feasibility Analysis and Reporting (COMFAR), to assist investors in assessing the financial viability of an investment project. Another tool used to ensure the quality and economic soundness of investment proposals being promoted is the *UNIDO Manual for the Preparation of Industrial Feasibility Studies*, which has sold 230,000 copies since its first publication in 1978.

COMFAR III EXPERT FOR WINDOWS

The "COMFAR III Expert for Windows" is the new version of COMFAR, which is in use in 126 countries. Owing to high demand, the software and user manuals have recently been translated into French, German, Polish, Portuguese and Spanish. Arabic, Chinese and Russian versions are expected to be prepared in the future. A more user-friendly version of COMFAR, called "COMFAR III mini expert", was developed and released in 1996.

Promotional activities

9. UNIDO has introduced a number of promotional tools:

(a) The World Investment Network Service (WINS) is designed to promote a steady and sustained flow of investment opportunities from developing countries. Through WINS, investment promotion agencies in developing countries can electronically transmit investment proposals to the Investment Promotion Services and through these to potential investors in industrialized countries. To function effectively, WINS requires an extensive training programme to familiarize operators in developing countries with the tools of the UNIDO methodology;

(b) The delegates' programme mechanism has proven to be a major element in the international promotion of the countries of origin and their projects. In most cases, this programme constitutes a valuable instrument of promotion upon the return of the delegates to their country of origin. From January 1995 through July 1996, 44 delegates from Africa, Arab countries, Asia and the Pacific, Eastern Europe and Latin America and the Caribbean were stationed at IPS offices;

BRAZILIAN DELEGATE AT IPS PARIS

The placement of a Brazilian delegate at the IPS Paris represents a tangible example of interaction with the private sector. The delegate, who took up his assignment in March 1995, was financed jointly by the French Government and two private sector organizations (National Confederation of Brazilian Industry, Brazilian Micro- and Medium Companies Support Service). The delegate's work formed part of a cooperation programme between Brazil and France, which began in 1992.

The delegate arrived with a portfolio of 337 investment projects. During his assignment, 16 projects for cooperation were concluded between Brazilian and French entrepreneurs, and a further 3 projects achieved an operational phase. The delegate concentrated on cooperation in advanced technology. He established linkages between relevant French organizations, such as the Regional Centre for Innovation and Transfer of Technology, the Agency for Environment and Energy Management, and the French Electrical and Electronic Industry Association and their Brazilian counterparts. Particular emphasis was placed on industrial cooperation in the electronics industry, precision instruments, biotechnology and building materials. Projects of this nature formed 20 per cent of the overall portfolio of projects. The delegate was also closely associated with preparations for EUROPALIA '95.

(c) Investment promotion tours/presentations organized both by Headquarters and IPS offices for representatives of chambers of commerce and industry, entrepreneurs and semi-government officials;

(d) Investment and technology promotion forums: Events to allow face-to-face negotiations between local partners and foreign investors which have been identified by various UNIDO mechanisms. UNIDO encounters a steady flow of requests for such promotional events, a number of which have yielded significant results. In the case of investment forums, as with the entire investment programme, UNIDO has acted as a pathfinder. The programme has opened markets previously overlooked by the international investment community. The Forum held in Viet Nam in 1991 was undoubtedly instrumental in the subsequent investment boom in the country. The investment forums for seven Russian Federation regions in 1994 reflected the increasing demand from those regions for UNIDO investment promotion services. The Investment Forum in Zanzibar in 1995 had a wide-ranging impact on the local economy and served as a stimulus to economic cooperation among the developing countries of Africa and the Middle East. Other examples that successfully opened markets are notably forums held in selected provinces of China, and work currently under way in the Ukraine, the Central Asian republics, Cuba and Papua New Guinea is expected to continue that trend. The effectiveness of such initiatives is exemplified by the strong international response to the UNIDO Forum in the Democratic People's Republic of Korea, convened in September 1996.

10. However, not all forums have produced the expected results. The results of a forum depend to a large extent on an adequate preparatory phase, the quality of its investment projects, the degree of commitment of the counterpart organization in the developing country, and the resources available for its follow-up.

UNIDO INVESTMENT FORUM FOR THE TUMEN RIVER AREA

Together with the Chinese Government, UNIDO convened the first International Investment and Business Forum for the Tumen River area, in Yanji City from 10 to 13 October 1995.

This Forum was in direct support to the United Nations Development Programme (UNDP) Tumen River Area Development Programme, launched in 1991 and covering the tri-border areas of China, the Democratic People's Republic of Korea and the Russian Federation.

The forum attracted 430 overseas industrialists, bankers and financiers largely from Asia, but also a sizable contingent from Europe. The investors considered 116 selected investment opportunities valued at $1,300 million, mainly in sectors covering chemicals, petroleum, coal, non-metallic and mineral products, foodstuffs, wood and wood products, textiles, clothing, machinery, equipment and metals. As a result of the Forum, definite contracts were signed for projects valued at $68 million. (Memorandums of understanding were signed on projects valued at $300 million, while letters of intent to invest were signed for a further $245 million.)

Follow-up activities

11. Investment forums are a force in generating interest on the part of overseas investors in projects in developing countries. Bringing such projects to fruition requires monitoring and guidance and, in some cases, the strengthening of local institutions through training programmes with special emphasis on least developed countries (LDCs). Investors, both local and overseas, look to UNIDO for further assistance in assessing market size, technological requirements, additional sources of finance and human resources development.

INVESTMENT FACILITY BEARS FRUIT

Eastern Europe

In the Czech Republic, where UNIDO has recently completed a programme started in 1993, UNIDO has promoted more than 100 investment projects that were prepared through intensive contacts with the individual Czech companies involved. Thus far of these 100 projects, 27 with a total investment value of $84 million have been successfully concluded and an additional 20 are under negotiation, with close UNIDO follow-up to ensure a high success rate. The successful promotion of projects was primarily through the IPS network. The Zurich IPS office concluded 15 of these agreements, Italy, 4 and France, 2. In particular, UNIDO identified several companies in the Eastern European metallurgical sector and profiled their needs in terms of cleaner or new technology.

Asia

A joint UNIDO/Japan programme to promote industrial cooperation between developing countries and the Japanese private sector continued during 1995-1996 with emphasis on the promotion of small- and medium-scale industries.

Since 1990, the programme has been instrumental in promoting foreign investments in a number of developing countries. Based on investment studies carried out in 1992-1994, the following joint venture projects were concluded and implementation initiated.

		Investment (In millions of US dollars)
Bangladesh	- *Integrated textile mill*	*39.0*
China	- *Corrugated cardboard boxes*	*1.9*
Indonesia	- *Motorcycle parts*	*4.0*
Indonesia	- *Caterpillar links*	*5.5*
Indonesia	- *Synthetic fibre spinnerets*	*3.0*
Slovakia	- *Restructuring of SLOVNAFT*	*40.0*
Viet Nam	- *Production of sheet glass*	*156.0*
Viet Nam	- *Cement plant*	*345.0*
Viet Nam	- *Secondary concrete products*	*1.0*

Nine investment studies, mainly for small- and medium-scale investment projects, were carried out in 1995. Three of them already led to joint ventures in Thailand (resin-coated sand), China (moulds and dies), Indonesia (expanded polyester products). Three other projects in China, Indonesia and Viet Nam are being positively discussed for joint venture.

B. Competitive advantage

12. The above clearly indicates the competitive advantage of UNIDO *vis-à-vis* other organizations engaged in similar activities. This advantage rests on the following points:

(a) UNIDO is able, through an integrated programme, to provide not only inputs related to investment, but also technology- and industrial information-related matters;

(b) UNIDO is the only organization in the United Nations system that possesses a wealth of industrial sector knowledge. The application of this knowledge will increasingly be used in the design and implementation of the overall investment and technology programme;

(c) UNIDO's Investment Promotion Services—particularly in developed countries—and other focal points in developing and developed countries, constitute a unique investment promotion network. These Services are located in major commercial centres throughout the globe and are in daily contact with the business communities in those centres;

(d) UNIDO works directly, at the operational level, with private enterprises, in particular small and medium enterprises (SMEs), providing comprehensive tailor-made services.

II. EXPANSION AND INNOVATION

13. A number of actions that will influence the future of the programme have been initiated during 1996.

A. Investment Promotion Service network

14. The IPS network is not only expanding but also diversifying, as more countries, developed and developing alike, recognize its benefits. In 1996, IPS offices were officially opened in Beijing, China, in Istanbul, Turkey and in Manama, Bahrain, and reopened in Seoul, Republic of Korea, and in Vienna. In addition to the new negotiation phase with Portugal, UNIDO has been contacted by institutions in the Czech Republic, Hungary, Thailand and Ukraine to ascertain the best modality for joining the IPS network.

IPS BAHRAIN — THE LATEST TO JOIN THE NETWORK

In April 1996 IPS Bahrain officially opened. Its characteristics are strong regional and a South-South orientation. The opening ceremony was attended by Heads of existing IPS offices and by 37 senior officials and industry leaders from Kuwait, Lebanon, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Clearly, decision makers in the Gulf region are looking to UNIDO and IPS Bahrain as a gateway to overseas technology and management skills. Decisions to establish similar offices in other countries immediately followed. The next is to be established in Saudi Arabia, while negotiations are under way with Kuwait, Oman, Qatar and the United Arab Emirates. Eventually, a regional network will be in place to contribute to economic and technical cooperation among developing countries in the region.

15. In addition to the network's expansion, it is being diversified through new mechanisms. An investment and technology promotion initiative (ITPI) was established in India, combining investment and technology for the first time. The establishment of an investment promotion unit in Saudi Arabia is being finalized. An agreement was signed with NIMTECH, a non-governmental organization in the United Kingdom of Great Britain and Northern Ireland. Apart from investment-related activities in traditional sectors, a special event was organized in the environment-related sectors. The United Kingdom Department of Trade and Industry, UNIDO, NIMTECH and the United Nations Environment Programme (UNEP) joined hands for the organization of a cleaner industrial production forum, held in September 1996. This event brought together organizations from developing countries that are seeking cleaner industrial technologies with the appropriate United Kingdom solution providers. In a similar vein, IPS Beijing and the ITPI in India are establishing investment- and technology-related networks in provinces and states to guarantee maximum coverage in those countries. Further diversification will be a feature of the network's future development, as UNIDO reaches out to draw upon skills and resources in the various bodies engaged in the flow of capital to developing countries.

COOPERATION BETWEEN UNIDO AND NIMTECH

In November 1995, UNIDO and NIMTECH concluded a cooperation arrangement that will bring United Kingdom industry and financing closer to UNIDO. NIMTECH provides a strong technology base to boost UNIDO's capacity for promotion of new and improved technologies through its technical cooperation activities in developing countries. NIMTECH, which stands for "New and IMproved TECHnology'" is a United Kingdom private sector non-profit organization functioning as a technology transfer network. UNIDO has included NIMTECH in its global network of focal points that helps create business partnerships through investment and technology transfer. This cooperation represents a major new opportunity for United Kingdom companies to expand their operations in developing countries via the UNIDO network.

UNIDO-NIMTECH cooperation aims to generate new business for United Kingdom companies and their partners in developing countries. At a UNIDO technology promotion forum in New Delhi, NIMTECH brokered a project worth over $2 million; negotiations worth several million dollars, started at more recent forums, are ongoing.

In September 1996, a UNIDO-NIMTECH meeting in Oxford, with the cooperation of the United Kingdom Department of Trade and Industry and UNEP, examined the practical problems facing the transfer of cleaner production from industrialized to developing countries and the financing of cleaner production investments.

B. New initiatives

16. Increasing emphasis will be placed on negotiating Trust Fund agreements with a variety of industrial clients, especially private-sector entities. An example of the innovative possibilities of Trust Fund agreements is to be found in the Agreement signed with the Swiss Association for Cement, Limestone and Gypsum Manufacturers. Through this Agreement, manufacturers in the Russian Federation in the construction-industry sector will be assisted in concluding industrial cooperation agreements, involving both investment and technology, with overseas partners.

17. The Guidelines for the Functioning of the Investment Promotion Service Offices, as amended by the General conference in decision GC.6/Dec.12, stipulate that the Services may charge fees for their services on a cost-reimbursement basis. Such fees would supplement the core funding provided by the host Government. Presently, contributions are being received from public and private sector organizations to fund the delegates' programme and specialized promotional events. Plans are under way to extend this fund mobilization in order to recover the costs involved in an expansion of the activities. Fees are also anticipated where, for example, a Service is called upon to provide intensive advisory services in the negotiation of a particular contract. The Services operate largely in a commercial environment. Their growth, which is crucial to the development of UNIDO investment promotion programmes as a whole, will to a certain extent be determined by business criteria and IPS performance as business centres.

18. A recently initiated project is aimed at promoting foreign (initially Austrian) food-processing and agro-industrial machinery and equipment producers in the Russian Federation via UNIDO. The concept is: (a) to create a pool of Austrian private companies interested in promoting their food-processing and agro-industrial machinery, equipment and services in the Russian Federation; (b) to identify existing investment opportunities in selected regions of the Russian Federation; (c) to prepare technically sound and potentially viable investment projects, using the UNIDO industrial investment project profile format; and (d) to elaborate project financing schemes through the establishment of consortia of Austrian producers and Austrian banks, which would supply the credit lines. Local regional administrations in the Russian Federation would elaborate adequate forms of guarantees acceptable by the crediting banks.

SOUTH-SOUTH COOPERATION

UNIDO has started implementation of a project within the framework of South-South cooperation. The purpose of the project is to upgrade the knowledge of experts from Kyrgyzstan in export-oriented investment project identification and promotion, to attract foreign investment into small- and medium-scale enterprises and to gain access to the international markets. This project will contribute to cooperation among developing countries through the transfer of Philippine investment know-how to Kyrgyzstan with the financial support of Japan and through attraction of Japanese investments into the Kyrgyzstan economy.

Implementation consists of the following phases:

(a) A workshop in Bishkek organized jointly by UNIDO Headquarters, IPS Tokyo and the Philippine Board of Investment, as well as plant visits of Kyrgyzstan enterprises;

(b) Identification and formulation of export-oriented investment projects by Kyrgyzstan and Philippine experts;

(c) A follow-up programme for 1997-1998 will include:

(i) Promotion of projects identified by the Kyrgyzstan delegate at IPS Tokyo;
(ii) Investment promotion tour of businessmen to enterprises in Kyrgyzstan;
(iii) Preparation of feasibility studies for selected projects;
(iv) Preparation of an investor's guide to Kyrgyzstan;
(v) An investment forum to enable potential investors and entrepreneurs to hold face-to-face bilateral negotiations on investment projects.

19. Finally, recent requests for corporate advisory services by the Chamber of Industry and Commerce of Sharjah in the United Arab Emirates and the Government of Algeria for large-scale investment projects are a clear indication that the diversification of UNIDO services not only meets client requirements but may constitute a better security in the final investment of funds in projects, where small errors could mean the loss of millions of dollars.

20. Among the new initiatives under way is UNIDO's involvement in Build-Operate-Transfer (BOT) projects. BOT is associated with major industrial infrastructure projects and UNIDO offers assistance of a policy nature and on standard procedures, training, negotiations and certification arrangements. The Organization's strategy towards BOT is to promote technology changes, which minimize the adverse environmental effects and excessive infrastructure costs. Currently, UNIDO is assisting China and Ecuador in formulating and negotiating BOT projects in the power sector. Assistance from UNIDO as an international organization is particularly relevant in regional development contexts where many countries must build up industrial infrastructure facilities in order to facilitate or complement industrial investments or to ensure clean production.

III. INTEGRATION AND COOPERATION

21. Investment and technology are usually travelling companions. The programme to promote the flow of investment to developing countries needs to be interwoven with the programme to promote technology flows. A start in this direction has been made in the Investment and Technology Promotion Division (ITPD) with the organization of Intechmarts, where a portfolio of investment projects is promoted alongside a portfolio of technology projects. This approach has shown concrete results in the Intechmart held in India in February

1996. Cooperation between all aspects of the investment and technology programmes is being strengthened. As referred to above, the BOT mechanism developed in the Technology Service is being increasingly called upon for its integration into the overall investment cycle of special investment projects.

22. The incorporation of the Industrial Information Section into ITPD in March 1996 facilitates its investment and technology promotion activities in two important ways. The first is through the development of sustainable national information networks, which are designed to meet the demand for information and support services from SMEs in a given country. Investment promotion agencies, technology transfer agencies and other focal points are natural parts of such networks. The second is through the activities in information resource management at Headquarters which aim to integrate and coordinate the presentation of the activities of the Organization on the World Wide Web (WWW) server of UNIDO, including access to business opportunities resulting from its investment and technology promotion and other technical cooperation activities.

23. Successful investment promotion draws upon the wealth of industrial sectoral knowledge in UNIDO and *vice versa*. A trial was made in the organization of the Investment Forum in Morocco, where the cooperation of the Industrial Sectors and Environment Division (ISED) in the technological screening of project profiles enhanced the value of proposals being sent for international promotion, thereby underscoring the UNIDO comparative advantage in this respect. Examples of marriage between the technical work of UNIDO and the promotion of investment and know-how are to be found throughout the work programme of UNIDO, not least in the environmental field, where ISED and ITPD are increasingly working together, as is the case in the forum for cleaner production technologies (see para. 15 above).

United Nations system

24. Within the United Nations family, a range of possibilities for cooperation is being explored. Beyond the standard cooperation with UNDP, a closer coordination with the United Nations Conference on Trade and Development (UNCTAD) is envisaged by blending the analytical skills and international policy formulation of UNCTAD with the practical investment promotion machinery established by UNIDO. A clear division of labour and complementarity between the two organizations in the investment field would clearly benefit recipient countries, as demonstrated by the large-scale UNDP promotional project in the Democratic People's Republic of Korea, which is being implemented jointly by UNIDO and the International Trade Centre UNCTAD/WTO.

UNDP SUPPORT

The good results achieved in the UNIDO investment programme for Zanzibar, including the forum, prompted UNDP to allocate $767,000 for follow-up activities for the full completion of the investment cycle.

UNDP also supported UNIDO in organizing the Regional Forum at Amman for Egypt, Gaza and the West Bank, Jordan, Morocco and Tunisia. A notable outcome was the decision to place delegates from some of these countries (two from Jordan, one each from Egypt, Palestine, Morocco and Tunisia) in the IPS offices at Milan, Paris, Tokyo and Zurich.

These examples show that the resources allocated by other United Nations agencies to UNIDO are well invested and effectively utilized because of the established UNIDO network and experience in investment promotion. It is hoped that the scarce resources of the system will be increasingly optimized in this way.

Other international institutions

25. Intense interaction is taking place with financial institutions to assist in funding projects identified and developed by UNIDO. An example of the form of interaction UNIDO wishes to encourage can be found in the case of Bangladesh. Following a feasibility study undertaken by UNIDO, a joint-venture company was established to construct an integrated textile mill. In addition to the Japanese and Bangladesh partners, the International Finance Corporation (IFC) has also taken equity position in the project.

26. Worth mentioning are the successful negotiations with institutions such as the World Bank, IFC and the European Bank for Reconstruction and Development (EBRD) on financing investment projects identified by UNIDO. For example, the investment projects prepared for the UNIDO investment forums in the Russian Federation for the Sakha Republic, Krasnoyarsky Krai and Orenburg regions in 1995 and for Ukraine in 1996 were submitted for financing to these institutions. Furthermore, UNIDO organized investment presentations of the Orenburg region projects at EBRD (October 1995) and the World Bank and IFC (February-March 1996), which resulted in the selection of 11 projects for financing by those institutions.

27. Recently, UNIDO has developed a mutually beneficial cooperation with the OPEC (Organization of the Petroleum Exporting Countries) Fund. UNIDO conducted training seminars for OPEC Fund staff on investment project appraisal and implementation, using UNIDO methodology. In 1995, the OPEC Fund was approached by the Vietnamese Government to provide a loan for financing an investment project on production of disposable syringes and needles. Before taking a decision, the OPEC Fund requested a feasibility study, the preparation of which was entrusted by the two parties to UNIDO. The study was initially pre-financed by the OPEC Fund with the agreement of the Vietnamese Government to consider the cost of the study as a part of the future investment loan.

COOPERATION WITH FINANCIAL INSTITUTIONS

Asia

UNIDO has extensive cooperation with the banking system at all phases of the investment cycle. For example, the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and the Asian Finance and Investment Corporation (AFIC), which is an affiliate corporation of the Asian Development Bank (ADB), have been involved in the preparation of investment project portfolios for the investment forum scheduled in May 1997 in the Philippines, and will actively participate in their promotion, possible investments, financing loans and follow-up.

Europe

To ensure close coordination, joint projects have been implemented to generate a greater understanding of the UNIDO approach to project financing, project appraisal and investment promotion. In this category, the seminar at Budapest in April 1996 was organized with the Creditanstalt Bankverein (Austria). Similarly, IPS Milan collaborated with Mediocredito Centrale, the Italian state financing institute responsible for soft loans to support Italian exports and joint-venture investments, as well as for the management of financial credits to developing countries. After the acquisition of COMFAR III Expert by Mediocredito Centrale, a training course was conducted to familiarize institute staff on how to use the package.

Eastern Europe and CIS

An Executive Director of EBRD, in an interview (Business News, 4 June 1996), referred to his recent participation in the UNIDO Forum in Ukraine as follows: "... I have to acknowledge that representatives of the EBRD arrived at the Forum rather sceptically. This scepticism was shaken when each of us selected three projects from 97 presented (normally EBRD selects only 1-2 projects from 1,000 submitted for consideration). I would like to underline—and this is very important—that the attractiveness of the projects is mainly due to the fact that they were prepared using UNIDO's methodology and fully correspond to international standards. Thus, EBRD has under its consideration 15 projects ..."

28. Cooperation with the European Commission further demonstrates the advantages of joint action. The Commission has joined hands with UNIDO in organizing significant promotional events, such as EUROPALIA in Paris and Sao Paulo and BORITEC in Milan. Also, through its TACIS Productivity Initiative Programme, the Commission is lending support to the delegates' programme.

EUROPALIA

Europalia is a promotional event, held in alternate years in Europe and Latin America. In June 1995 the fair, which aims at promoting closer industrial cooperation in the agro-industry sector, was convened at Sao Paulo, Brazil. The promotion was organized by UNIDO and the European Commission (the Al-Invest programme).

The fair in Sao Paulo was based on a sound preparatory phase, in which 290 potential investment projects were identified and widely circulated in Europe and Latin America. A total of 164 manufacturers from 8 Latin American countries participated as well as 70 European enterprises from 7 countries. As a result, 23 commercial partnerships, 31 technological partnerships and 3 institutional partnerships were established. The success of Europalia has led to similar bi-regional events, such as Europeia in February 1996, promoting partnerships between Western European countries (Belgium, France, Italy, United Kingdom) and Central European countries (Bulgaria, Hungary, Poland, Slovakia), again concentrating on the agro-industry sector.

IV. AGENDA FOR FUTURE ACTION

A. Follow-up activities

29. While strong efforts are being made by UNIDO to provide integrated programmes to clients, the perception remains that the investment promotion programme comprises only investment forums. There is also a tendency to see these forums as an end in themselves rather than as only one element of the integrated investment promotion programme. There is much more to be done after an investment forum to bring the project ideas discussed and agreed upon to the stage when the project is materialized. It is in this area where concerted efforts are necessary, so that the full strength of all services of UNIDO can be brought to bear on the promotion of investment in developing countries.

30. Frequently UNIDO meets financial constraints in promoting projects from the idea stage to actual investment. Therefore, there is a need to introduce an extensive follow-up and monitoring system for investment projects supported by a financial mechanism in the form of a project completion facility, which should be an integral part of any investment forum project. While the donor community will be looked upon to provide the major part of the funding requirements, a commitment will be required also on the part of recipient countries to earmark available resources for concrete follow-up activities. The concept of the project completion facility must be looked into carefully in view of its advantages for both developing and developed countries.

31. Furthermore, human resources development is one of the key activities of the integrated investment promotion programme. Since promotion of investment opportunities requires time, the actual impact of investment forums can only be judged after the completion of a follow-up phase. To carry out this follow-up phase effectively, it is important that human resource development components be included in the integrated programmes and that close cooperation between UNIDO and trained staff in counterpart organizations be maintained after the forum. The inclusion of follow-up activities in the integrated programme will ensure that the forum is not a "stand-alone" event.

B. IPS network coordination

32. As acknowledged by the Board in decision IDB.15/Dec.2, more effective coordination between Headquarters and the IPS network is required. As outlined in chapter II above, this network comprises in the inner circle IPS and similar offices established by UNIDO in developed and developing countries, and in the outer circle investment promotion agencies that have established close working relations with UNIDO on investment promotion.

33. UNIDO is actively supporting investment promotion agencies and technology centres in developing and developed countries to capitalize on the opportunities offered by the Internet and other interactive networks. This is achieved by providing training and advice on hardware and software requirements and efficient use of existing communication services and tools for transmitting investment and technology information within the IPS network. UNIDO's aim is to promote a steady and sustained flow of investment opportunities from developing countries to developed countries.

34. For more effective coordination within the IPS network, an efficient information flow (through increasing use of advances in communications technology) and coordination of work programmes and goals have to be ensured by Headquarters. This will be the emphasis in the years to come, as administrative decentralization has already been introduced in 1996.

35. In the past, IPS offices tended to operate independently rather than as a network having a strong linkage with Headquarters. In the restructuring, the IPS Network Coordination Unit was placed in the Office of the Managing Director of ITPD. The network will now be strengthened through continuous improvements in information flow and quality of inputs (on aspects of both financial and technical viability of projects) from Headquarters and IPS staff. At the same time, IPS offices are being invited to participate in the identification and screening of projects from the beginning, when a programme is initiated in a given country, thereby consolidating the integration between all parties concerned.

36. Likewise, it should not be forgotten that each IPS has to operate in its own unique environment, and that priorities vary from one Service to another. In one, the emphasis may be on upstream investment activities, while in the other the focus is on assisting partners in final contract negotiations. Some IPS offices assign a greater priority to the delegates' programme than others. Most Services promote outward investment, but a few do both inward and outward investment promotion.

37. UNIDO Headquarters has to set common targets and goals in accordance with given priorities, e.g. a concerted programme of action in investment promotion for Africa, and to coordinate with the IPS offices in the implementation of work programmes designed to meet those targets and goals. The resources of the Technology and Information Services have to be drawn in to complement those of the Investment Service and the IPS offices to achieve synergy and to maximize results.

38. It is essential that the activities of the IPS offices are in tune with those of Headquarters. With this goal in mind, a performance appraisal system with specific mechanisms for coordination and monitoring will be introduced. Apart from increasing the accountability of IPS offices, this will also achieve a certain degree of uniformity in their performance.

C. Delegates' programme

39. A major effort is being made to increase the participation of representatives of developing countries, in particular LDCs, in the delegates' programme by encouraging financial contributions from various sources. The assistance provided by IPS offices needs to be complemented with facilities existing at Headquarters. An orientation course at Headquarters would familiarize delegates with the methodologies and mechanisms of the UNIDO integrated investment promotion programme, thus benefiting both IPS offices and the delegates' countries of origin.

V. OUTLOOK

40. UNIDO is required to constantly upgrade the quality of investment promotion services being offered mostly to small- and medium-scale entrepreneurs from industrialized and developing countries. In the future, close attention will, *inter alia,* be given to:

(a) **Mandate of investment promotion:** Owing to the increase in the demand for investment promotion activities as well as the need to optimize scarce resources of the international community, it is fundamental to maintain the recognition of the lead-agency status of UNIDO for industrial investment promotion activities in the United Nations system in order to avoid a waste of resources by spreading them thinly among other United Nations organizations.

(b) **Least developed countries:** A characteristic of globalization has been its uneven nature. A number of developing countries are reaping the returns of the internationalization of world manufacturing. Others, possibly the majority of developing countries, have neither the industrial infrastructure nor the managerial skills to take part in this process. This is particularly true of sub-Saharan Africa and LDCs, which are in serious danger of being marginalized. An emphasis in the UNIDO investment promotion programme is to ensure that all developing countries have the opportunity to compete fairly in the global market place.

(c) **Delegates' programme:** The placement of delegates from developing countries in UNIDO Investment Promotion Service offices has proved a particularly effective force in channelling investment funds to those countries. The aim will be to broaden the base of this programme to include a larger number of delegates, particularly from LDCs.

(d) **Coordination:** Coordination within UNIDO is to be enhanced to ensure that the full weight of UNIDO sectoral expertise is applied to the investment and technology promotional programmes. Coordination will also be directed to attracting investment funds for projects identified through UNIDO sectoral technical cooperation programmes.

(e) **Networking:** Networking will continue to be improved between IPS offices and similar offices in the network to enable developing country investment opportunities to find partners in developed countries. At the same time, liaison with Headquarters will be strengthened with a view to a closer linkage between the technical cooperation programme, including the organization of forums, and the operation of the IPS network.

(f) **Quality of projects:** The success of the investment promotion programme depends on the presentation of sound investment opportunities to potential investors. The emphasis in the future will be on a still more selective approach to projects (as well as promotional events), stressing projects that are not only financially sound but are attractive to potential investors.

(g) **Follow-up activities**: Together with a more selective approach to project identification, greater attention will be given to monitoring the progress of partnerships formed initially, for example at Intechmarts. Where possible, UNIDO will offer assistance in subsequent negotiations to promote a successful outcome in terms of construction or expansion of a manufacturing concern.

(h) **Funds for programme consolidation:** The fragmented nature of funding available for the various components of the UNIDO investment promotion programme poses a serious and perpetual constraint to implementation. Each IPS has its own restricted budget provided by the host Government, and each investment forum has a limited budget. Funding is hard to obtain for any other activities, e.g. to complete the promising negotiations started at Intechmarts. For a start, an investment promotion fund totalling approximately $1 million a year would significantly help to consolidate the existing programme and to design more efficient and cost-effective activities.

(i) **South-South cooperation:** UNIDO has already channelled resources—capital, technology and management skills—from the more industrially advanced developing countries towards those at an earlier phase of industrialization. In the search to optimize resource flows, this form of cooperation will be increasingly prominent.

(j) **Staff-related matters:** The evaluation of IPS offices will be extended to performance evaluation of individual staff members. This exercise, in keeping with overall UNIDO staff performance evaluation, will seek to guide staff in making the optimum contribution to the investment promotion programme. The programme is complex and staff training in the various investment tools is essential.

(k) **Training of staff members:** Investment promotion is a complex task and there is a need to continually update the skills of staff to correspond to the changing nature of UNIDO services being offered. Towards this end, specialized training will be offered to upgrade the skills of staff members, consultants and delegates to achieve maximum operational efficiency. This training will focus particularly on improving the quality of the projects distributed for promotion.

(l) **Interaction with Member States:** To improve the quality of services and to gauge the exact investment requirements of both developed and developing countries, the dialogue with Member States will be intensified. Guidance from Member States will be sought in assessing the impact of UNIDO's investment programmes in both donor and recipient countries.

VI. ACTION REQUIRED OF THE BOARD

41. The Board may wish to take note of the present report and provide guidance for future action.

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JOINT INSPECTION UNIT

Activities of the Joint Inspection Unit of relevance to UNIDO

Note by the Secretariat

Summary

Provides information on reports prepared by the Joint Inspection Unit during 1995 and 1996 which were not considered during the fifteenth session of the Industrial Development Board and reflects the position of the UNIDO Secretariat on those matters.

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Introduction

1. The Joint Inspection Unit (JIU) became a subsidiary organ of the Industrial Development Board by its decision IDB.1/Dec.22. JIU conducts its work based on requests by Member States, on request by the secretariats of the participating organizations, or on its own initiative. The reports of JIU are submitted to the competent organs of the organizations concerned with the comments of the executive heads of those organizations. The present document provides information on JIU reports that are considered relevant to UNIDO, together with the comments of the Secretariat thereto.

I. REPORTS SUBMITTED BY THE JOINT INSPECTION UNIT OF DIRECT INTEREST TO UNIDO

2. Since the issuance of the most recent document to the Board on the subject (IDB.15/9), one JIU report has been issued (see subpara. (a) below) that is considered relevant to the work of UNIDO. Additionally, as noted in paragraph 3 of the above-mentioned document, the following two reports issued in 1995, which were not considered during the fifteenth session, are reported on in the present document. The reports are available in the UNIDO Secretariat for consultation.

(a) The United Nations Conference on Trade and evelopment (UNCTAD): Review of institutional and programme issues (JIU/REP/96/1);

(b) Accountability, management improvement and oversight in the United Nations system (JIU/REP/95/2 and Add.1);

(c) Evaluation of the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF): Towards a more operational approach? (JIU/REP/95/12).

The United Nations Conference on Trade and Development (UNCTAD): Review of Institutional and Programme Issues (JIU/REP/96/1)

3. JIU conducted its first review of UNCTAD amidst ongoing efforts to restructure and revitalize the United Nations in the economic, social and related fields. The report was submitted to UNCTAD IX, held at Midrand, South Africa, in May 1996. Overall, the Inspectors found that the rationale that led to the creation of UNCTAD in 1964 still remains valid, and that UNCTAD has provided more than value for money. At the same time, the Inspectors pointed out that UNCTAD faces a number of challenges, among others, its lack of field visibility and its inability to fashion a field-oriented and priority-driven technical cooperation strategy.

4. The Inspectors consider that UNCTAD VIII, held at Cartagena, Colombia, in 1992, emphasized a new mandate (such as commodities, science and technology, trade and investment) and new areas (such as poverty alleviation, privatization). The Inspectors however believe that UNCTAD should avoid unnecessary duplication of efforts with regard to other United Nations bodies, and at the same time strengthen its technical cooperation activities. On the basis of the above, the Inspectors recommend that UNCTAD should: (a) enhance cooperation with regional economic commissions, strengthen its action-oriented research capacity, strengthen collaboration with the private sector and non-governmental organizations (NGOs); (b) build system-wide partnerships for development by expanding co-operation arrangements with other parts of the United Nations system, including UNIDO; (c) significantly strengthen the technical cooperation function in its principal areas of its responsibility; (d) give due consideration to the unique development needs of the least developed countries, land-locked and island developing countries; (e) strengthen its cooperation with the World Trade Organization (WTO) at the secretariat and institution levels; and (f) strengthen its cooperation with the Bretton Wood institutions.

5. In considering the findings and recommendations contained in the report, account should be taken of a number of events that occurred after its release and which have had an impact on UNCTAD and its relationship with UNIDO. Those events include the recent agreements concluded between the Heads of UNIDO and UNCTAD (see para. 7 below) and the results of UNCTAD IX, which was held in May 1996. Indeed, most JIU recommendations are reflected in the newly expanded mandate of UNCTAD. UNCTAD IX has clarified UNCTAD mandates and responsibilities with respect to WTO; established a new focus on investment, enterprise development and technology issues; emphasized a stronger technical cooperation role; stressed partnership and interaction with other development actors such as NGOs; and established a leaner and reduced intergovernmental machinery, with only one Board meeting and three commissions per year.

6. The Secretariat notes with concern that UNCTAD IX has widened responsibilities of UNCTAD in fields where UNIDO also has mandates and activities, such as investment, technology and enterprise development. Needless to say, there is a close linkage and complementarity between trade and industry in the development process. UNIDO's mandate relates to the productive sector (manufacturing) while the role of UNCTAD would be in the trade sector. The new focus of UNCTAD could make the roles of the two organizations less clear. On the enhanced role of UNCTAD in the area of technical cooperation, the Secretariat feels that UNIDO has a definite comparative advantage based on

its long-standing experience of project implementation.

7. There is clearly a need for specialization, a clear-cut division of labour and complementarity between the two organizations, to avoid overlapping functions. The attention of Member States is drawn to the fact that UNIDO has already entered into a new partnership relationship with UNCTAD. In April 1996, the executive heads of the two organizations signed a joint communique announcing the enhanced cooperation and greater complementarity in their work programmes with emphasis on information, investment and technology promotion. In July, the two heads met in Vienna and, *inter alia*, announced the start of a joint programme to help African countries improve the environment for investment flows and transfer of technology, and strengthen their business capacities.

Accountability, management improvement, and oversight in the United Nations system (JIU/REP/95/2 and Add.1)

8. In the face of increasing demands and decreasing resources available, the United Nations system organizations are requested to "do better with less". Against this background, JIU carried out its first comprehensive and extensive review of accountability, management improvement and oversight activities within the United Nations system. The report covers seven accountability and oversight structures in the United Nations system: internal oversight units, management systems, human resources management, strategic planning, inter-agency activities, system-wide external oversight units, and oversight by governing bodies.

9. The Inspectors found that the United Nations system organizations lack a "culture of accountability and performance". First, internal oversight units, such as internal audit and evaluation, are scattered, isolated and invisible. The number of Professional-level staff of the internal oversight units in the United Nations system is 272, or about 0.5 per cent of the some 52,700 staff. Secondly, the organizations need effective internal control and personal accountability systems, modern information technologies supported by basic changes in staff attitude and in organizational culture. Thirdly, inter-agency bodies such as the Administrative Committee on Coordination (ACC) and the Consultative Committee on Administrative Questions (CCAQ) have contributed to the improvement of accountability, management and oversight functions through spreading "best practices". As for external system-wide oversight bodies such as the External Auditor and JIU, the Inspectors note that they have varying mandates, extremely broad areas to cover and modest resources. Finally, the Inspectors note that the governing bodies do not necessarily provide adequate oversight and decision-making for increasingly urgent field programmes worldwide.

10. On the basis of the above findings, the Inspectors recommend, *inter alia*, that the organizations should: (a) establish a single focal point under their respective heads comprising strategic planning, performance management and management improvement; (b) balance the capacities of the units in charge of internal audit, evaluation, management services, inspection and investigation; (c) maintain integrated internal control systems and guidelines concerning personal accountability, financial liability and standards of conduct; (d) establish a comprehensive strategy for information systems and strengthen management development and training programmes; (e) support inter-agency efforts to improve management, accountability and oversight; and (f) report to their governing bodies on the issues discussed in the report. The Inspectors also recommend that external oversight bodies should improve their work programmes and share their findings with each other, and governing bodies should insist on improved accountability, performance, oversight and sound management systems, and provide clearer guidance to secretariats.

11. The UNIDO Secretariat finds the comprehensive report timely, useful and interesting and was pleased to note that most of the recommendations have been already implemented in UNIDO during the ongoing reform process. This means that information on UNIDO in Part II (JIU/REP/95/2/Add.1), containing comparative tables of the report, has been overtaken by events. In conformity with the recommendations of JIU, the recently established Policy Coordination function within General Management consolidates strategic planning, quality assurance, programme and project review committee secretariat, programme monitoring and evaluation, and this has significantly strengthened the accountability, control and oversight functions of the Organization. In addition, close coordination exists between Policy Coordination, Internal Audit and Legal Service. UNIDO Management Principles (UNIDO/DGB(M).2) provide a framework for good management and accountability of managers and their staff.

12. A new disciplinary and reward system have been designed along with the new performance appraisal system, based on the concept of managerial responsibility and accountability. New information systems (E-mail, Intranet) have improved significantly the efficiency of the work of the Secretariat. Furthermore, UNIDO actively contributes to inter-agency activities. During the last two years, the Quality Assurance Unit has twice organized workshops on quality management of development cooperation, with the participation of

some 15 multilateral and bilateral development agencies. The latest conference of internal audit services of United Nations agencies and multilateral financial institutions was co-hosted by UNIDO and the International Atomic Energy Agency and was termed one of the most successful meetings held in this field during the last 27 years.

13. Finally, it must be underlined that the Secretariat keeps Member States continuously informed on the progress of UNIDO reform, and fully cooperates with JIU and the External Auditor. In fact, UNIDO has been at the forefront of reform in the United Nations system, having undergone a comprehensive process of change and adjustment that has led to significantly strengthened accountability, oversight functions and management improvement.

Evaluation of the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF): Towards a more operational approach? (JIU/REP/95/12)

14. JIU conducted this evaluation at the request of the Committee on Programme and Coordination. UN-NADAF was launched in 1991 by the General Assembly. The Inspectors issued recommendations to African Member States, the international community and the United Nations system organizations. This document summarizes those related to the United Nations system..

15. The Inspectors noted that, within the United Nations system, the New Agenda has had little impact on the ground. There was still a general lack of awareness of the existence of the Agenda, despite the fact that virtually all organizations have assigned priority to the African region, including the recent United Nations system-wide Special Initiative on Africa (UNSIA) launched by the Secretary-General in October 1995. The severe resource crisis throughout the United Nations system may further limit the scope of action unless conventional technical cooperation policies and mechanisms are re-assessed. With this in mind, the Inspectors recommended, *inter alia*, that the organizations should: (a) reduce the costs for technical cooperation with Africa by (i) reducing reliance on expatriate experts in favour of national experts and local resources, (ii) relying more on national execution modality, and (iii) reducing overhead costs through unified procurement practices; (b) engage in policy advocacy campaigns through local media and by establishment of a joint United Nations system information service in Africa; (c) reinforce institutional capacity-building efforts of the supported institutions; (d) institute an African Development Conference and a standing Inter-Agency Working Group on the commodity sector, of which UNIDO should be a member; (e) increase their support for subregional integration; and (f) give priority to women's programmes.

16. The UNIDO Secretariat considers the report to present a good overview of the extremely important and complex development problems that Africa faces. It is a useful and timely study as it coincides with the launching of the UNIDO Alliance for Africa's Industrialization. The Secretariat, however, notes with concern that the achievements of UNIDO under the Second Industrial Development Decade for Africa (IDDA) have not been mentioned despite the fact that the UN-NADAF framework and objectives were fully taken into account during the elaboration of the programme for IDDA. As for the recommendations of the Inspectors, the Secretariat would like to draw the attention of Member States to the following: (a) UNIDO fully endorses and continuously applies the use of national consultants and specialists; however, general decentralization of programme implementation is possible only if adequate institutional capacity and safeguards exist in the region; (b) the Secretariat supports the proposals of a joint United Nations system information service, provided that it does not involve additional costs; (c) the Secretariat shares the call for greater emphasis on institutional capacity-building; (d) the notion of the African Development Conference—which would group the Economic Commission for Africa (ECA) and the Organization of African Unity (OAU) consultative meetings with the United Nations system organizations—has some merit but requires further extensive in-depth analysis. The Secretariat also supports the proposal of establishing a standing inter-agency working group on the commodity sector; (e) for many years UNIDO has actively cooperated with and provided support to subregional organizations in order to strengthen their institutional and technological capacities; (f) the programme of UNIDO for the integration of women in industrialization is well established and recognized, and will be continued particularly within the priority programmes addressing requirements in Africa.

17. As Member States are aware, UNIDO initiated the Alliance for Africa's Industrialization to reinvigorate industrial development in Africa. This is a complementary input of UNIDO to UNSIA. The Alliance was presented to the Council of Ministers of OAU in July 1996, which endorsed it to be launched in Abidjan, Cote d'Ivoire, in October 1996. In September 1996, a high-level expert group meeting was held at Addis Ababa, Ethiopia, with representatives of the Conference of African Ministers of Industry (CAMI), ECA, OAU, key private-sector groups and policy-makers. To support the Alliance, a steering committee was established in the Secretariat to provide overall guidance for the Alliance and to ensure harmonization and coordination with other programmes of UNIDO (UNIDO/DGB(P).14). An update on efforts made by UNIDO to further elaborate and develop the concept of the Alliance is presented in document IDB.16/16.

II. OTHER ACTIVITIES OF THE JOINT INSPECTION UNIT

18. Member States are advised that the following system-wide studies that are relevant to UNIDO are currently under preparation by JIU:

(a) Coordination of policy and programming frameworks for more effective development cooperation

(b) Publication policies and practices (in compliance with General Assembly resolution 50/206)

(c) Information systems and technology (at the request of UNIDO and other organizations)

(d) Outsourcing

(e) Field representation.

19. Member States may wish to note that recently there has been a growing concern about "value-for-money" with respect to the work of JIU. Recognizing that the impact of JIU is a shared responsibility of Member States, the Unit and the secretariats of the participating organizations, the Fifth Committee of the General Assembly has called for a number of measures to improve the cost-effectiveness of the Unit (A/C.5/50/L.64, 31 May 1996). Among the participating organizations, discussions are going on how to improve the cost-effectiveness of the work of JIU. The latest review on the matter was a comprehensive review made by the CCAQ at its meeting in September 1996. The approved programme and budgets of UNIDO for the 1996-1997 biennium contain a provision of $332,600 to cover its share (3.3 per cent) of the total estimated JIU costs for the biennium.

III. ACTION REQUIRED OF THE BOARD

20. In compliance with the provisions of the statute of JIU and resolution 48/221 of the General Assembly providing that the recommendations made by JIU should be considered and approved by Member States prior to their implementation by the organizations, the Board may wish to review the recommendations of JIU together with the views of UNIDO thereon and provide policy guidance for follow-up action. Member States may also wish to call for specific studies to be carried out by JIU.

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INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES

Implementation of the UNIDO programme for the least developed countries

Report by the Director-General

Summary

Reports on activities and special measures approved, initiated or under implementation in the least developed countries during the period 1 April to 31 August 1996.

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Introduction

1. The Industrial Development Board at its fifteenth session (6-10 May 1996) took note of the information contained in document IDB.15/10 in which the activities of the least developed countries (LDC) programme during the period 1 September 1995 to 31 March 1996 (IDB.15/Dec.7) were reported on. In the same decision the Board requested the Director-General to accord highest priority to the implementation of the LDC programme, to take appropriate measures to implement the conclusions and recommendations of both the Second and Third Ministerial Symposia, to intensify efforts to mobilize funds for industrialization of the LDCs and to submit a progress report to the IDB at its sixteenth session. The present document is submitted in compliance with that decision.

2. The present document updates and supplements information provided in document IDB.15/10 and, thus, covers only activities and special programmes that were approved or initiated during the period 1 April to 31 August 1996.

I. FOCUS ON PRIORITY PROGRAMMES

3. Industrialization of the LDCs receives high priority among UNIDO programmes. Within the framework of the established thematic priorities and in response to requests from LDCs, assistance continued to be provided during the reporting period with a view to capacity-building, above all in human resources development with emphasis on women's entrepreneurship, investment promotion, small and medium industries development, private sector development, and energy and environment programmes. Total delivery of technical cooperation to LDCs, from 1 April to 31 August 1996, amounted to $3.28 million. This shows an increase of 13 per cent as compared to the same period in 1995 ($2.91 million).

4. Special attention was given to resource mobilization for the development and implementation of priority programmes and projects. A total of $7.12 million[1] was approved for LDCs under all sources of funds during the reporting period, indicating an increase of some 350 per cent as compared with the same period in 1995 ($1.60 million).

5. In addition, a total of $5.7 million was earmarked by the Programme and Project Review Committee (PPRC) under Industrial Development Decade for Africa (IDDA) resources for African LDCs for the biennium 1996-1997 (see chap. II, para. 38, below). This unprecedented decision is an important step towards implementation of Board decision IDB.15/Dec.7.

A. Africa and least developed countries: linking industry with agriculture (thematic priority 7)

6. The UNIDO high impact programme on the application of quality principles to the food-processing sector in seven South and East African countries, including five LDCs (Ethiopia, Malawi, Mozambique, Uganda, Zambia) was approved in June 1996 under a trust fund contribution from Germany ($2.3 million). The share of the five LDCs included in the programme amounts to almost $1.5 million. The programme has as an immediate objective the rapid and measurable improvement of food safety through implementing pilot programmes in selected enterprises and reinforcing the concerned support institutions. Programme implementation will commence in January 1997.

7. The preparatory phase of an agro-related industrial development programme, to be formulated for three African countries to be selected (including two LDCs) has been approved under IDDA resources ($95,000). The objective will be to assist these countries in enhancing competitiveness based on potential comparative advantages. The preparatory assistance will assess the current situation and the need for developing specific agro-related industries as well as strengthening industry-agriculture linkages in the selected African countries. Based on the findings of the preparatory phase, a medium-term integrated technical cooperation programme on agro-industrial development for the selected countries will be formulated. The preparatory phase will be completed by the end of this year.

8. Preparatory assistance has been approved under a trust fund contribution from Germany ($50,000) for the development of high-impact programmes on the application of UNIDO quality principles in the food-processing sector for Asian and West African LDCs (Bangladesh, Benin, Burkina Faso, Guinea, Lao People's Democratic Republic, Myanmar, Togo). Field missions have already started with a view to collecting country-specific data. Based on the information obtained, separate high impact programmes for each group of LDCs will be elaborated that will have as an immediate objective the rapid and measurable improvement of food safety and food quality through implementing pilot programmes in selected enterprises. By applying modern concepts of quality management and production the programmes will result in building up local and regional capacity for technical support to enterprises that are prepared to improve their quality and productivity in food processing. Potential donors have already expressed readiness to consider financing of the programmes.

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[1] This figure does not include funds that are being considered seriously for the active pipeline programme (see paragraphs 12 and 13 of the present document).

9. A revised version of the project document on promotion of the traditional textile industry in West Africa (phase III) has been submitted to PPRC for consideration ($120,000 under IDDA and $533,000 for donor financing). The purpose of this project is to establish a regional *tissutèque* in Mali as a focal point for the promotion of the traditional textiles industry in West African LDCs and to assist in improving the quality of traditional textiles products for those countries. A potential donor has indicated basic interest to provide the required funds.

B. Other priority areas of technical cooperation

Human resources development, including women entrepreneurs

10. The first part of the high impact programme for women entrepreneurship development was approved in July 1996 under a trust fund contribution from Belgium ($1.2 million) for three West African countries (Côte d'Ivoire, Mali, Senegal). The share of one LDC (Mali) in this programme amounts to $1 million. The programme aims at maximizing the contribution of women entrepreneurs to sustainable socio-economic development as well as creating an enabling environment for the improvement and growth of women's industrial enterprises.

11. As a follow-up to the ongoing food processing project for rural women in Burkina Faso and Mali, under which 26 multi-functional platforms are already installed in both countries, a multi-funded project (UNIDO/IFAD/UNDP, $1,091,300) has been developed. The IFAD (International Fund for Agricultural Development) component ($181,000) has already been approved. UNIDO's component ($162,200) is being financed under IDDA supplementary resources. The UNDP (United Nations Development Programme) share ($748,100) is already approved by the UNDP office in Mali. This follow-up project aims at establishing local capacities through further training of all actors (such as women artisans and non-governmental organizations) to ensure the sustainability of the ongoing project. The platforms, consisting of a diesel engine for power generation as well as other equipment such as welding machines, straw cutters, battery chargers and water pumps, allow the communities to make more rational use of energy generated by the engine and other equipment rented through the platforms. Furthermore, they provide employment opportunities for the rural population and particularly women.

12. Based on the findings of a needs assessment mission to Ethiopia in November 1995, a project document has been formulated ($800,000) on women's entrepreneurship development in the agro-industries subsector. The proposed programme, being seriously considered for financing by a potential donor, includes several components that cover, *inter alia*, training needs of women entrepreneurs, quality improvement and capacity-building in food-processing industries.

13. In response to an official request from the United Republic of Tanzania, the second phase of the training programme for women entrepreneurs in the food-processing industry is being finalized for consideration by a potential donor (approximately $700,000). The main purpose of the second phase, covering a period of three years, would be to ensure the sustainability of the ongoing project through the development and strengthening of institutional arrangements, development of a new training programme, setting standards and quality controls.

14. A project has been approved under IDDA resources ($139,500) to strengthen the institutional capacity of the African Training and Research Centre in Administration for Development (CAFRAD), Tangier. The project will support CAFRAD in organizing training programmes for entrepreneurs and consultants in French-speaking LDCs in agro-industrial small and medium enterprise management.

15. UNIDO financed a study tour of three Burundian women entrepreneurs, who participated in the trade fair organized by the Ghana Association of Women Entrepreneurs at Accra, Ghana, in June 1996.

16. As a result of a programming mission to Eritrea in June 1996, training needs were identified in such areas as development and promotion of SMEs, formulation of industrial policies and regulations, promotion of the role of women in industrial development and support services to meet the needs of the Eritrean Business Women's Association. Detailed proposals are being formulated.

17. A preparatory study was approved under IDDA resources to review jointly with UNDP various aspects of support to women's entrepreneurship, poverty alleviation and investment promotion in Togo. The preparatory assistance—to be co-financed by UNDP ($54,500)—will lead to formulation of a broader integrated programme in the above priority areas for financing under African Development Bank resources. UNIDO is expected to participate in the large-scale projects emanating from the study.

18. Within the context of a national programme in Benin, a needs assessment mission is being fielded to identify training needs for women entrepreneurs in food-processing areas, with focus on technology and management. The mission will also review the prospects of a study tour in the same area to be undertaken by Benin women entrepreneurs.

Investment promotion

19. The proposed investment promotion programme for the United Republic of Tanzania with a value of $669,280 has been approved under UNDP resources. The programme aims at strengthening capacity within the Ministry of Industry, the Investment Promotion Centre and other private and public sector institutions to enable them to identify, formulate and promote investment projects. The programme includes an investment forum to be held at Dar es Salaam from 4 to 8 November 1996.

20. A meeting of African investment promotion agencies and UNIDO Investment Promotion Service (IPS) offices will be convened in conjunction with the launching of the Alliance for Africa's Industrialization at Abidjan, Côte d'Ivoire, in October 1996. The purpose of this meeting is to bring together investment promotion agencies or equivalent institutions from a number of African countries (including LDCs) to discuss various aspects of investment promotion activities in Africa, including how to better network African investment promotion agencies with UNIDO IPS offices.

21. Action is being initiated to recruit a short-term consultant to assist the Government of Mali in converting the existing CAPES (Centre d' Assistance pour les Projets, les Entreprises et les Sociétes) to an investment promotion agency. The mission is planned to be fielded in September/October 1996.

Industrial strategies, capacity-building and private sector development

22. The high impact programme on integrated advisory services for industrial policy formulation and competitiveness strategies, designed for a group of Asian countries at varying degrees of development (Cambodia, Lao People's Democratic Republic, Malaysia, Myanmar, Thailand, Viet Nam) is being implemented in Viet Nam. Mobilization of resources for other countries, including LDCs, is being actively pursued. The programme aims at providing direct assistance and advisory services in the formulation of industrial policies and competitiveness strategies as well as capacity-building initiatives to ensure the sustainability of the implemented programmes and projects.

23. A new project for a national industrial statistics programme (NISP) with a value of $20,000 has been approved under IDDA resources for Gambia. It aims at consolidating and improving the industrial statistical information systems in the Gambian Ministry of Trade, Industry and Employment (MOTIE) through application of computerized information systems. NISP will enable MOTIE and other statistical offices and the private sector in the country to collect, adjust, store, analyse and disseminate statistical data and to obtain timely and reliable information for policy evaluation and decision-making.

24. A Special Industrial Services programme (SIS) project valued at $130,000 has been approved that aims to streamline the design and production bottlenecks at the Engineering Design and Tool Enterprise in Ethiopia. The main objectives of the project are to upgrade the design procedure, improve manufacturing capacity for tool making, equipment and machinery, and improve packaging techniques, procurement and promotion skills.

25. UNIDO technical support services at the project level (TSS-2) to the amount of $59,700 have been approved under UNDP resources to the Government of Ethiopia. The project will assist the Government in the implementation of the second phase of the national programme for management of economic and technical change. Under this project, assistance will be provided in the areas of industrial extension services in selected subsectors and informal sector enterprises, and an information centre and information system on investment and technology.

26. In Mozambique, TSS-2 services have also been approved with a value of $15,610 to assist the Government in developing a national metrology service. Under this project, UNIDO will assist in formulating and preparing a full-scale project document for consideration by potential donors.

27. Under a trust fund project costed at $127,000 UNIDO will assist the Ministry of Commerce and Industries of Haiti in enhancing its capacity for the formulation of industrial policies through the development of a nation-wide management and coordination tool. This technical tool, the flexible national management system (FENAMS)—similar to one developed for the National Environment Protection Agency in China—will assist the Ministry to gain a higher degree of transparency in the process of information exchange and a better overview of various activities in different regions of the country. Thus, FENAMS will be a highly efficient decision-making support system within the Ministry.

28. Assistance will be provided to some Islamic LDCs in the development of industrial and management consultancies. Within an interregional project approved under Industrial Development Fund (IDF) resources of $42,250, a seminar will be conducted in cooperation with the Federation of Consultants of Islamic Countries at Jeddah, Saudi Arabia, in October 1996. The seminar will provide an opportunity for 20 professionals from Islamic countries, including selected LDCs, to assess the status of industrial and management consultancies, determine their needs and make recommendations on

strengthening industrial management consultancy capacities and enhancing cooperation among consultancy firms within the Federation of Consultants of Islamic Countries.

29. The Government of Togo was assisted in organizing an international conference on promotion of free trade zones and private foreign investment at Lomé, from 4 to 7 June 1996. Under a project valued at $34,000 financed from IDDA resources, a UNIDO consultant prepared and submitted to the conference a theme paper on the subject issues. The project also provided funds for the participation of five export processing zone managers from different regions.

30. A new project valued at $177,000 was approved for Mauritania under IDDA resources that aims at introducing advanced quality control technologies in fish-processing plants. Assistance will be provided under this project through reinforcement of institutional capacity (in particular quality control departments of the plants) as well as direct technical cooperation at the enterprise level.

31. Technical support services at the programme level (TSS-1) have been approved for Western Samoa under UNDP resources with a value of $55,000. The project aims at assessing industrial sector development needs, constraints and potential in order to recommend the design, formulation and implementation of short, medium and long term industrial development policies of the country.

32. Under a trust fund project approved by Japan and valued at $259,000, UNIDO will assist the Privatization Unit of the Ministry of Finance in Lesotho in formulating appropriate restructuring and privatization strategies. The main objective of the project is to carry out specific diagnosis of selected state-owned enterprises and to render assistance in improving management of the enterprises through the development and implementation of appropriate management training programmes.

33. UNIDO cooperated in the implementation of a nationally executed programme in Uganda on private sector development. A UNIDO consultant, financed under UNDP resources of $56,300, assisted the Government from May to July 1996 in the introduction of a consultative mechanism for interactive policy and strategy formulation for private sector development, following the strategic management of industrial development approach. The expert drafted a national strategy and programme of action for the development of the manufacturing industries sector, which is being submitted to the Government for follow-up.

Environmental programmes

34. Under a trust fund contribution from Japan, the first stage of the high impact programme on introducing new technologies for abatement of global mercury pollution has been approved for the United Republic of Tanzania with a total value of $368,000. The objective of this programme, which was designed for four countries including three LDCs (Ethiopia, Mozambique, United Republic of Tanzania) is to replace mercury amalgamation with new technology and better equipment, thereby improving the income of miners through more efficient recovery. The programme also includes policy advice on the regulation of artisanal gold mining with due consideration of gender issues. The implementation of this programme is being initiated.

35. Two projects with a total value of $172,227 were approved for Sudan under Montreal Protocol funds. They aim at phasing out CFC-11 from the production of flexible slabstock foams used for the production of foam-filled mattresses and phasing out of ozone-depleting substances at three small domestic refrigerator factories in that country. Implementation of both projects is being initiated.

36. An SIS project valued at $45,500 will provide high-level assistance in reducing water pollution emanating from the textile and carpet industries located in the Kathmandu valley, Nepal. The methods to be used under this project for reducing pollution are expected to be applied also to other non-textile subsectors and in regions other than Kathmandu.

37. A new project has been approved under self-financed trust funds ($233,283) to assist Madagascar in developing an ecologically sustainable industrial programme. The immediate objective is to establish institutional capacity and techniques to enable the Government to formulate a strategy for ecologically sustainable industry.

II. MOBILIZATION OF ADDITIONAL RESOURCES

38. As already stated under paragraph 5 above, PPRC decided to allocate at least 50 per cent of IDDA resources (both XA and YA)* for African LDCs, in the biennium 1996-1997. This means that from the total

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* Regular budget components for financing of IDDA activities consist of technical cooperation (XA) and supplementary activities (YA).

programme resources for the biennium (approximately $11.4 million), an amount of approximately $5.7 million is earmarked for LDCs in the African region.

39. In response to General Conference resolution GC.6/Res.8, UNIDO has drafted a detailed concept for the development of a synergy programme for LDCs containing specific proposals in line with that resolution and with the recommendations of the Third Ministerial Symposium. The draft concept is being reviewed by various UNIDO divisions prior to its finalization.

40. As a first step towards implementation of the synergy programme, a needs assessment mission is being planned for all LDCs in Africa to study the possibilities and prospects of setting up national information networks with antennae in private sector organizations of those countries. The proposal would be included as part of the package for consideration and financing under the Alliance for Africa's Industrialization. A similar needs assessment mission would be launched, subject to availability of resources, to the Asian and Pacific LDCs as well as to Haiti at a later stage.

41. Within the context of the Alliance for Africa's Industrialization (see IDB.16/16), UNIDO is giving particular attention to the needs and requirements of LDCs in that region. All LDCs in Africa are involved in the process of launching the Alliance for Africa's Industrialization.

42. In view of the great potential for cooperation among developing countries, informal discussions took place with representatives in Vienna of developing countries on the concept and strategy of the ECDC/TCDC programme. It was recognized that a reorientation of ECDC/TCDC with higher emphasis on LDCs needs to be considered. It was therefore recommended that further discussions take place in order to review existing bilateral ECDC/TCDC programmes as well as those of UNIDO. A draft concept to review the above issue on a pilot basis is being formulated.

III. OTHER INITIATIVES

43. A UNIDO high-level mission to Togo, headed by the Director-General, took place from 9 to 11 July 1996. During his visit, the Director-General met with the Head of State, high ranking officials, representatives of the United Nations, multilateral and bilateral organizations and discussed the contribution of UNIDO to the industrial development of Togo. As a direct result, the Government agreed to allocate around $100,000 from its budgetary resources as a local contribution for reopening the UNIDO office at Lomé. Follow-up actions on reopening the UNIDO office as well as other operational and pipeline industrial programmes that are highlighted in the joint communique between the Director-General and Government of Togo are being actively pursued.

44. The visit of the Director-General to Togo was preceded by another UNIDO delegation, headed by the Managing Director of the Country Programmes and Funds Mobilization Division, who represented UNIDO at the international conference on free zones and private foreign investment (Lomé, 4-7 June), attended by 800 representatives from 40 countries. UNIDO had already provided specialized consultancy inputs to assist the Government of Togo in organizing the conference (see para. 29 above).

45. At the invitation of the national authorities of Eritrea, a UNIDO delegation visited the country from 8 to 18 June 1996 to discuss with the Government and private sector as well as United Nations and bilateral agencies the industrial development objectives, constraints and priority needs of the country. As a result of the first major UNIDO mission to this newest African State, several areas for UNIDO cooperation were identified. These areas covering, *inter alia*, capacity-building in the Ministry of Trade and Industry, support to small-scale industries development, and information, statistics and technology transfer, are being followed up by various UNIDO divisions.

46. All programme and project managers in UNIDO have been asked in the future to clearly specify the LDC and non-LDC components and target beneficiaries in regional, interregional and global project documents. This and other new features, including the designation of divisional focal points, have been established to facilitate measuring and reporting on the involvement of LDCs in UNIDO projects.

IV. ACTION REQUIRED OF THE BOARD

47. The Board may wish to take note of the information contained in the present document.

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Item 12 of the provisional agenda

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL

Report by the Director-General

Summary

Provides information on the contribution of UNIDO to the System-Wide Action Plan in the period from May 1995 through August 1996.

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Introduction

1. In its decision IDB.12/Dec.7, the Industrial Development Board requested the Director-General, in conformity with General Assembly resolution 48/112, to continue incorporating into the UNIDO work programme the mandates and activities contained in the System-Wide Action Plan on Drug Abuse Control and urged him to cooperate with other United Nations bodies, in particular the United Nations International Drug Control Programme (UNDCP), on matters related to narcotic drugs and psychotropic substances. The present document reports on the implementation of that decision and other aspects of the UNIDO contribution to the System-Wide Action Plan since the issuance of the last report on the subject (IDB.14/10/Add.3, chap. II).

I. UNIDO RESPONSE

2. The thrust of UNIDO activities in support of the System-Wide Action Plan continued as described in the previous report on the subject (IDB.14/10/Add.3, paras. 13-16).

3. Continuing its close collaboration with UNDCP, UNIDO actively participated in the meeting of the Subcommittee on Drug Control of the Administrative Committee on Coordination at its third annual session in July 1995, in Geneva. The Committee agreed on 12 multi-agency thematic plans of action, the initial eight of which would represent the first stage in the strategic reorientation process of the System-Wide Action Plan. The Subcommittee decided to include for discussion the UNIDO plan of action for promoting agro-industrial investment in drug producing areas, together with the broader theme of alternative development, during the second round of task force meetings that will probably begin in 1996.

II. CURRENT OPERATIONAL ACTIVITIES

4. In the Chapare area of Bolivia, activities were completed that were directed towards reducing illicit drug cultivation by encouraging farmers to shift to alternative crops. These crops are now being processed with farmers participating as shareholders in these industrial ventures. Transfer of appropriate technologies, training in management and production and market promotional activities were the main UNIDO inputs.

5. Three project proposals, approved by the Programme and Project Review Committee, were presented on behalf of the Bolivian Government at a donors' conference held at La Paz in 1995. The Government of Bolivia is seeking the cooperation of developed countries for financing of the projects. Member States are urged to assist in the provision of funds for these and other projects in support of the objectives of the System-Wide Action Plan.

6. A study was undertaken to explore the feasibility of producing orange juice in Los Yungas, Bolivia. The Government has expressed an interest to involve UNIDO in discussions with the private sector for the purpose of setting up a processing plant.

7. At the request of the Government of Peru, UNIDO undertook a study to identify investment opportunities in the area of San Martin. A project proposal is being prepared to assist private investors and farmers in launching these ventures.

8. A project document, based on an extensive study of the social, economic and climatic conditions of the Dir district in Pakistan, has been signed by the Government of Pakistan. The objective is to promote private sector investment in high-value-added food products as substitutes for the illicit cultivation of poppy. The project is presently under review at UNIDO Headquarters.

9. Short-term technical advisory services were provided to Morocco to identify crops that could be grown in areas prone to illicit cultivation activities. A draft project proposal has been prepared and submitted to the Government.

10. In India, a project to upgrade the technology for the conversion of opium into licit drugs is being developed in collaboration with the UNDCP regional office.

11. The group training programme on the industrial utilization of medicinal and aromatic plants was continued for the eighth year at the Medicinal Plants Research Centre in Turkey, with 10 participants from developing countries. The course content was enhanced to include cleaner production and environment conservation. Training included the detection and estimation of amounts of illicit narcotic drugs and psychotropic substances. Hands-on experience with agro-industrial processing of plants will enable participants to initiate alternative development activities in and around illicit crop-growing areas.

III. ACTION REQUIRED OF THE BOARD

12. The Board may wish to take note of the information contained in the present report.

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SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

Note by the Secretariat

1. The present document updates the progress report contained in document IDB.15/6 and provides, in particular, information concerning the establishment by the UNIDO Programme and Project Review Committee (PPRC) of special programming "windows" within the overall framework of the programme for the Second Industrial Development Decade for Africa (IDDA). Enhancement of IDDA through the Alliance for Africa's Industrialization is also addressed. In compliance with decision IDB.15/Dec.6, a complete report will be sub nitted to the seventeenth session of the Board on the implementation of that decision, including a consolidated in-depth evaluation on the implementation of the programme.

2. Total funds allocated for the IDDA programme during the biennium amount to approximately $10.6 million (at an exchange rate of US$ 1 = AS 12.90)*. Thus, despite the financial difficulties faced by the Organization, the overall IDDA allocation for the biennium has not suffered reduction and has accordingly increased in relative terms as compared against the overall UNIDO budget. The programme retains its two distinct components with the following allocations for the 1996-1997 biennium:

Technical cooperation (XA)	$4.6 million*
Supplementary activities (YA)	$6.0 million (of which short-term advisory services (STAS) account for $1.2 million)

3. In the current biennium, as an innovative management practice, three programming windows have been established within the overall framework. As approved by PPRC, these are as follows (not including STAS):

Window 1 ($3.4 million)

XA $1.6 million YA $1.8 million

This will cover all projects that were already in the pipeline for approval and implementation as well as a few projects carried over from the 1994-1995 biennium.

Window 2 ($3.0 million)

XA $1.0 million YA $2.0 million

These funds are earmarked for priority requests. The overriding consideration would be the need for timely response and delivery to urgent issues that arise. This is particularly relevant because the

*The budgetary allocation for the Regular Programme of Technical Cooperation, including the IDDA component, will be adjusted in accordance with the actual average rate of exchange for the biennium.

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Special Industrial Services programme is being discontinued at the end of 1996, following the United Nations Development Programme decision not to fund such services any longer.

Window 3 ($3.0 million)

XA $2.0 million YA $1.0 million

This will be available to support few—but large—programmes or projects with high impact and visibility that have a multiplier effect or result in mobilization of external funds and that may be carried out in cooperation with external partners. Due to their magnitude, these projects may extend beyond the limit of one biennium. For the purpose of further focusing and complying with the requests embodied in paragraph (g) of decision IDB.14/Dec.16 and paragraph (a) of resolution GC.6/Res.9, these projects and programmes will focus on the major themes of investment and technology promotion. In line with the spirit of the UNIDO reform, they should be developed through interdivisional cooperation to ensure adequate consideration of industrial subsector and thematic aspects.

4. Finally, in an unprecedented move to address particularly the problems of the 33 least developed countries (LDCs) of the continent, it was decided that 50 per cent of the total allocation for the 1996-1997 biennium will benefit LDCs. At the present level of the programme, and as also reported in document IDB.16/13, this means that $5.7 million is earmarked for LDCs in Africa. Projects within window 3 will give first priority to LDCs. While national projects will be exclusively for LDCs, regional projects might include other countries.

5. As of 30 July 1996, projects had been approved for implementation in the following amounts:

XA $1.7 million

YA $2.2 million (of which STAS accounted for $0.5 million)

6. Effective delivery of the programme is also very closely monitored. The delivery rate was exceptionally high during the first six months of 1996, as follows:

XA 32 per cent

YA 50 per cent (STAS implementation was 78 per cent)

These figures provide another clear sign of the commitment of the Organization to achieving the objectives of the Second IDDA.

7. A close monitoring and programme management system has been put in place to ensure that resources are effectively directed to the priority areas as defined by African countries themselves, and as reflected in the recommendations of the twelfth session of the Conference of African Ministers of Industry (CAMI). Projects submitted for approval are closely scrutinized to ensure that they fall under the seven UNIDO thematic priorities established by the General Conference (GC.6/Res.1; GC.6/30 and Add.1). Special consideration of the specific needs of LDCs is also essential. In that respect, close coordination is established with the Least Developed Countries Unit by way of periodic working-level reviews of project approvals and delivery.

8. The OAU Summit at Yaoundé, Cameroon, in July 1996 adopted a resolution strongly endorsing the creation and launching of an Alliance for Africa's Industrialization as "a dynamic mechanism for the attainment of the goals and objectives of the Industrial Development Decade for Africa". The resolution invited "Africa's development partners and the international community to intensify their cooperation with African governments and private sector, industrial enterprises in support of the Alliance". A separate document further elaborating the concept of the Alliance is provided under the symbol IDB.16/16.

9. In developing the programmes, as well as the course of their implementation, effective linkages between IDDA and the Alliance will be established to ensure a coherent and consistent approach. In particular, the Alliance would permit ECA, UNIDO and OAU to supplement and strengthen technical cooperation provided under IDDA in order to optimize the programme's impact in Africa.

ACTION REQUIRED OF THE BOARD

10. The Board may wish to take note of the information contained in the present document.

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SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

Alliance for Africa's Industrialization

Report by the Director-General

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Introduction

1. During the sixth session of the General Conference of UNIDO in December 1995 the Director-General announced that the Organization would introduce a new initiative, the Alliance for Africa's Industrialization (AAI), to add impetus to industrial development in Africa. The announcement was followed by extensive consultations (from January to May 1996) in Africa with key intergovernmental and private sector organizations including the Organization of African Unity (OAU), the Economic Commission for Africa (ECA), the Conference of African Ministers of Industry (CAMI) and the African Business Round Table. A concept paper for the Alliance was drafted by a team of UNIDO staff and circulated to various entities including the African groups mentioned earlier, and briefings were held in Vienna, Bonn and Geneva for the African Permanent Missions accredited to UNIDO. The concept paper was also presented to the Bureau of CAMI in Pretoria, South Africa in early 1996.

2. The concept was presented to the Industrial Development Board at its fifteenth session in May 1996 and the Board urged the Director-General "to elaborate further on the concept of the Alliance for Africa's Industrialization and to submit a report to the sixteenth session of the Board" (IDB.15/Dec.6). Summarized below is an update on efforts made to further elaborate and develop the concept of the Alliance.

I. METHODOLOGY

3. The elaboration of the concept of the Alliance has been based on a systematic process to enable UNIDO to build on its successful programmes in Africa and learn from failures as well. In this regard, high priority is given to four principal issues in order to define a realistic vision for the Alliance.

(a) Completing the on-going review of the Industrial Development Decade for Africa programme and other programmes in Africa. The Alliance must add value to what exists and endeavour to introduce some new dimensions in light of the constantly changing global environment;

(b) Obtaining the intellectual input of Africans and Africanists (including non-African researchers and scholars) into the definition of the goals of the Alliance and its key components, programmes/projects and operational modalities;

(c) Defining mechanisms for African nations to internalize the components of the Alliance into on-going structural reforms and development plans;

(d) Ensuring the financial sustainability of programmes and projects that will constitute the main thrust of the Alliance. The identification and development of such programmes and projects will be demand driven and will also depend on the strong collaboration and support of UNIDO technical units. The development of programmes/projects is envisaged to continue into the first quarter of 1997.

II. INTERNAL UNIDO ACTIVITIES

4. On 12 June 1996, an in-house retreat of some key UNIDO technical staff held in-depth discussions of various components of the Alliance. Two working groups have been set up to carry out follow up actions to finalize the concept paper and to plan the launching of the Alliance in October 1996.

5. A high-level Steering Committee was established in June 1996 to provide overall guidance on UNIDO support for the Alliance and to ensure effective harmonization and coordination with other relevant programmes of UNIDO and cooperating partners of the Alliance. The Steering Committee is chaired by the Director-General to emphasize the high priority UNIDO accords to the AAI.

6. A project document was approved by the Programme and Project Review Committee in July 1996 for funding the preparatory work on the Alliance.

III. AFRICAN INPUT INTO AND OWNERSHIP OF AAI

7. Copies of the revised draft of the AAI concept paper were mailed to various entities in Africa including ministries of industry, regional and subregional organizations and private sector groups. Comments received will be incorporated into the new draft of the concept paper.

8. In mid-June, the Director of the Africa Bureau and his staff held extensive consultations in Cameroon, Ghana, Mali, Nigeria, Senegal and Togo on the Alliance and strategies for internalization of its components at the country level. One significant outcome of this mission is that private sector groups in Ghana recently held a workshop to discuss this process of internalization. Nigeria is also planning a similar activity. Efforts in other African countries will be encouraged.

9. The Director-General presented the broad goals of the Alliance to the sixty-fourth General Session of the OAU Council of Ministers on 4 July 1996 and held bilateral talks with some delegations about the Alliance

and other UNIDO matters. The OAU adopted a resolution, contained in the annex to the present document, reiterating its support for UNIDO. The resolution strongly endorsed the Alliance and supported its launch in Abidjan, in October 1996, by His Excellency Konan Bedie, President of Côte d'Ivoire.

10. On 1 August 1996, the Director-General sent a letter to the Vienna-based African Permanent Missions accredited to UNIDO providing a detailed update on the progress made in the elaboration of the AAI concept along with a copy of the OAU resolution. The letter was followed up with a full briefing on the AAI on Wednesday, 21 August 1996. In that briefing a detailed presentation was given on the revised concept paper. Copies of the paper were circulated for review and comments. Details of the forthcoming high-level expert group meeting and the launching of the Alliance were also provided to the Permanent Missions. A follow-up meeting with African Permanent Missions is planned for mid-September 1996.

11. From 6 to 8 September 1996, a high-level expert group meeting will be held in Addis Ababa, Ethiopia, with representatives of the Bureau of CAMI, ECA, OAU, the African Development Bank, the African Business Round Table, private sector representatives and selected experts. The goal is to have in-depth discussions of the revised concept paper and project packages, the scope of the research component of AAI, specific plans for the launching of AAI in Abidjan and strategies for funds mobilization. Several United Nations agencies have also been invited as an initial step towards establishing the institutional and inter-agency partnerships required for the success of AAI; these include the United Nations Development Programme, the United Nations Conference on Trade and Development, the International Fund for Agricultural Development and the Food and Agriculture Organization of the United Nations.

IV. INTER-AGENCY ACTIVITIES

12. The Alliance was presented for discussion and consideration in two major inter-agency meetings in Nairobi and Addis Ababa dealing with the United Nations System-Wide Special Initiative on Africa (UNSIA). In April 1996, the UNIDO Country Director (UCD) in Nairobi participated in the fourth meeting of the ACC Steering Committee, and the UCD in Addis Ababa participated in the July meeting of the UNSIA Task Force on Poverty Reduction Through the Promotion of the Informal Sector and Employment Generation Opportunities. UNIDO has been called upon to include a section on informal sector development in the Alliance concept paper as an input into UNSIA. The informal sector component will be discussed in the next meeting of the Task Force in Addis Ababa on 9 September 1996. Further, the Alliance will be on the agenda of the UNSIA Steering Committee meeting in New York on 20 September 1996.

V. LAUNCHING OF THE ALLIANCE

13. Based on the OAU resolution and the request of the Government of Côte d'Ivoire, meetings were held on 28 and 29 July 1996 regarding the preparations for the launching of the Alliance. A draft budget and programme was developed and presented to the Government for consideration. In addition to the main event—the launching of AAI—three parallel activities will also take place: the annual meeting of UCDs, the annual meeting of UNIDO Investment Promotion Services and a demonstration of agro-industry technology. African Heads of State and Ministers of Industry will be invited to the launching along with OAU, the Economic Community of West African States, the Common Market for Eastern and Southern Africa, the Southern African Development Community and other international and regional organizations and industry/private sector representatives.

VI. ACTION REQUIRED OF THE BOARD

14. The Board may wish to take note of the present report and provide guidance for further action.

Annex

CM/Res.1663 (LXIV)

RESOLUTION ADOPTED BY OAU

Resolution on the twelfth meeting of the Conference of African Ministers of Industry

The Council of Ministers of the Organization of African Unity, meeting in its Sixty-Fourth Ordinary Session in Yaoundé, Cameroon, from 1 to 5 July 1996,

Having considered the report of the Secretary-General on the 12th meeting of the Conference of Ministers of Industry and UNIDO General Conference resolution GC.6/Res.11 on the IDDA,

Recalling the Treaty Establishing the African Economic Community,

Bearing in mind the Cairo Agenda for Action adopted by the Seventeenth Extraordinary Session of the Council of Ministers,

Recalling further the Second IDDA adopted by the United Nations General Assembly,

Reiterating OAU Summit resolution AHG/Res.5 (XXXII) of 28 June 1995 supporting UNIDO,

Taking note of the statement by the Director-General of UNIDO to the Council of Ministers especially in respect of the "Alliance for Africa's Industrialization",

Reaffirming the primary responsibilities of the African countries in the implementation of the programme for the Second Decade and the need for the mobilization of their own resources and for substantial flow of technical and financial resources from the international community towards the industrialization of Africa:

1. TAKES NOTE WITH APPRECIATION of the Report of the Secretary-General on the 12th Meeting of the Conference of African Ministers of Industry and on the 6th Session of the General Conference of UNIDO;

2. ENDORSES the Gaborone Declaration and the resolutions adopted by the Conference of African Ministers of Industry at its Twelfth meeting;

3. REITERATES ITS FULL SUPPORT to UNIDO and WELCOMES the decisions of the legislative bodies of UNIDO to continue to accord highest priority to Africa and the IDDA;

4. ENDORSES the launching of the Alliance for Africa's Industrialization as a dynamic mechanism for the attainment of the goals and objectives of the IDDA and INVITES Africa's development partners and the international community to intensify their cooperation with African governments and private sector industrial enterprises in support of the Alliance;

5. CALLS ON all Member States of the OAU to participate actively in the 13th Meeting of the Conference of African Ministers of Industry and the Second All Africa Private Sector Forum scheduled to be held in Accra in May 1997;

6. INVITES all African States and Africa's development partners to participate actively in the meeting for the launching of the Alliance for Africa's industrialization which will be chaired by H.E. Mr. Henri Konan Bedie, President of the Republic of Côte d'Ivoire, in Abidjan in the last quarter of 1996;

7. REQUESTS the Secretary-General of the OAU in close cooperation with the Executive Secretary of ECA and the Director-General of UNIDO to continue their assistance in the implementation of the programme for the 2nd IDDA and to undertake follow-up actions for the mobilization of resources at national, subregional and regional levels for industrialization in Africa and jointly submit a biennial report on the matter to the OAU Council of Ministers and Summit Conference.

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SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

Alliance for Africa's Industrialization

Report by the Director-General

Addendum

Summary

Provides information on the launching of the Alliance at Abidjan, Côte d'Ivoire, on 23 October 1996.

1. As reported in paragraph 13 of document IDB.16/16, and in pursuance of the resolution of the Organization of African Unity (OAU) described in paragraph 9 of that document, the Alliance for Africa's Industrialization (AAI) was launched at Abidjan, Côte d'Ivoire, on 23 October 1996, in collaboration with the Government of Côte d'Ivoire. The official launch was preceded by an expert group meeting from 17 to 19 October and a conference of African Ministers of Industry from 21 to 22 October.

2. Three parallel events also took place at Abidjan during the same period:

(a) The annual meeting of UNIDO Country Directors in Africa;

(b) A meeting of UNIDO Investment Promotion Services and selected African investment promotion agencies;

(c) A demonstration of a multi-purpose platform for women in rural areas which had been developed in the context of a UNIDO project.

3. The launch of AAI was strongly supported by African States, as manifested in the strength of the delegations participating in the various activities. Eleven Heads of State or Government attended the official event; 36 Ministers and Deputy Ministers/Secretaries of State attended the conference. In total, 245 delegates from 41 countries, drawn from the private sector and government, participated in the various events.

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4. Delegates reviewed Africa's industrial development experiences and the widening technological gap between Africa and the rest of the world. They considered various industrial development models in Asia and in Latin America and examples of successful economic transformation in Africa. They endorsed the Ailiance as a new impetus to establish new partnerships that will catalyse industrial development in Africa. The delegates emphasized that industrial development strategies must be oriented towards private sector empowerment and must be based on comparative advantages and home-grown development visions.

5. The Abidjan Declaration on the Alliance for Africa's Industrialization, adopted on 23 October 1996, captures the strong resolve of African nations to reinvigorate their efforts to ensure that their countries achieve the status of newly industrializing nations in the new millennium. The full text of the Declaration is contained in the annex to the present document.

6. Reports of the various activities, including an action plan, are being finalized for submission to the thirteenth meeting of the Conference of African Ministers of Industry at Accra, Ghana, in May 1997, and to the OAU Summit of Heads of State in July 1997.

Annex

ABIDJAN DECLARATION ON THE ALLIANCE FOR AFRICA'S INDUSTRIALIZATION

A. Preamble

We, the Heads of State and Government assembled here at Abidjan, Côte d'Ivoire, on 23 October 1996, at the kind invitation of His Excellency, Mr. Henri Konan BEDIE, President of the Republic of Côte d'Ivoire, and at the initiative of the Director-General of UNIDO, to formally launch the Alliance for Africa's Industrialization,

Having considered:

- The Gaborone Declaration adopted by the Conference of African Ministers of Industry;
- The United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF);
- The Abuja treaty on the establishment of the African Economic Community;
- The United Nations System-Wide Special Initiative on Africa; and
- OAU resolution CM/Res.1663 (LXIV) adopted by the Council of Ministers in Yaoundé, Cameroon, in July 1996, which, *inter alia*, endorsed the launching of the Alliance as a dynamic mechanism for the attainment of the goals and objectives of the Second Industrial Development Decade for Africa,

On the basis of preparatory work carried out by the African Ministers of Industry from 21 to 22 October 1996 preceded by the meeting of high-level experts from 17 to 19 October 1996 and with the support of the UNIDO Secretariat, having reviewed the socio-economic situation in Africa and having noted, in particular, that:

- African countries have, over the last three decades, adopted various policies and strategies for the industrialization of the continent, ranging from import substitution policies, public industrial enterprises to private sector development;
- Many countries have made substantial efforts and adopted various macroeconomic policies, including structural adjustment programmes;
- A number of countries have recorded significant achievements with positive rates of real growth. Nonetheless, the socio-economic situation across the continent remains of concern;
- Furthermore, the continent is in danger of increased marginalization resulting from, *inter alia*, the debt burden, the deterioration of the terms of trade, the continuous reduction of development aid and limited flow of direct private investments as well as the globalization and liberalization of world trade following the adoption of the Uruguay Round Agreements. The African continent is, in particular, finding it more difficult to access the financial markets;
- There has been no significant structural change or growth in the industrial sector in most African countries. Yet the industrial sector, which constitutes the major engine of growth in the restructuring and transformation of African economies, in line with their medium- and long-term development visions, has a fundamental role to play in the attainment of a durable solution to Africa's social and economic crises, especially in poverty alleviation/eradication as well as income and employment generation, particularly for the youth;
- The fundamental principles of the Lagos Plan of Action, the Final Act of Lagos, the Cairo Agenda of Action for Relaunching Africa's Economic and Social Development, the Lima Declaration and the Industrial Development Decade for Africa remain relevant. There is, nevertheless, a need for a radical continent-wide concerted action to enhance the full attainment of their goals and objectives;
- African countries need to urgently evolve their own socio-economic development strategies and operational mechanisms to enable them to harmonize relations with their development partners and to take their rightful place in the global economy during the twenty-first century;
- Cooperation, including trade among African countries based on their individual comparative advantages, at the subregional, regional and global levels, is fundamental if Africa is to make a breakthrough in its industrialization endeavours.

B. Launching of the Alliance

1. On the basis of the above, we, the African Heads of State and Government assembled in Abidjan on 23 October 1996 hereby formally proclaim the launching of the **Alliance for Africa's Industrialization**, as a dynamic mechanism to boost the implementation of the

programme for the Second Industrial Development Decade for Africa, thus accelerating the pace of industrialization of the continent towards its economic transformation during the twenty-first century.

2. Therefore, we commit ourselves, individually and collectively, and on behalf of our respective peoples and Governments to take all measures for:

(a) The rapid implementation of the programme for the Second Industrial Development Decade for Africa, utilizing the Alliance as a new support mechanism to enhance the attainment of its goals and objectives, so as to contribute to the transformation of our countries to newly industrializing countries during the next 15 to 20 years;

(b) The industrial transformation of our natural resources, which provide us with significant potential comparative advantages, particularly through the development of agro-industries;

(c) The enhancement of capacity-building and human resources development at the policy, institutional and enterprise levels, including an intensified integration of women in industry;

(d) Building up industrial, business and technological information capacities and capabilities including their linkage to regional and global information networks and systems;

(e) Enhancing the competitiveness of our industries by incorporating cost considerations, quality assurance, standardization and technological innovation;

(f) Ensuring the rehabilitation and competitive restructuring of our existing industries;

(g) Strengthening the participation of the private sector in the formulation and implementation of programmes for the Alliance;

(h) Internalizing the Alliance into the national, subregional and regional economic development process, by ensuring the involvement of all the development ministries, the private sector and civil society at various levels not only in our individual countries and subregional groupings but also between our countries and the rest of the world;

(i) Formulating medium- and long-term industrial policies and strategies at the national and subregional levels designed to respond to the challenges of globalization and international competitiveness;

(j) Promoting sustainable industrial development;

(k) Mobilizing domestic and foreign direct investments and official development assistance, including the establishment of a pledging mechanism and coordinating structure, to enable the financing of industrial programmes in Africa within the framework of the Alliance;

(l) Intensifying cooperation with development partners, especially investment finance institutions, donor countries, multilateral, bilateral and other development agencies and the organizations of the United Nations system;

(m) Implementing the Abuja Treaty on the establishment of the African Economic Community and other subregional industrial cooperation schemes and according high priority to complementary regional and subregional cooperation in the programme packages to be formulated for the Alliance;

(n) Reinforcing national, subregional and regional coordination mechanisms to act as the focal points for the global coordination structure to be put in place for the Alliance.

C. Coordination Mechanism

3. Given the expected critical impact of the Alliance on the economic and industrial development of Africa and the crucial role to be played by Africa's development partners in that process, we recognize the need to set up a coordinating mechanism with a Secretariat for the Alliance. Pending the establishment of that mechanism, we request the UNIDO Secretariat to act as interim secretariat in close cooperation with the Secretariats of OAU, ADB, ECA and ABR, and in coordination with the Bureau of the CAMI.

D. Other Considerations

4. We are conscious of the fact that the success of the Alliance will also depend on the attainment of an enabling environment of peace, security, democracy, good governance and the rule of law in our countries. We are therefore determined to pursue our efforts in this direction.

5. In launching the Alliance, we are conscious of the tremendous additional effort which will be required of us, individually and collectively, to attain the goals we have set for ourselves. We are confident that we have the determination to overcome the obstacles that may lie in our path. We request UNIDO, in collaboration with the development ministries in our respective countries, OAU, ECA, ADB, and the African Business Round Table, to mobilize the support of the international community as well as that of the relevant international organizations, notably donor countries, private investors,

multilateral and bilateral development agencies as well as the organizations of the United Nations system.

6. We reaffirm our total support for UNIDO, which can provide a significant contribution to the process of industrialization of developing countries in general, and African countries in particular, and appeal to the leaders of all countries, especially those of developed countries, to continue to support, maintain and strengthen UNIDO.

E. Follow-up Action

7. We invite the African Ministers of Industry to elaborate, with the involvement of the African private sector, regional and subregional organizations and with the support of UNIDO and other relevant international organizations, a plan of action to be adopted by CAMI during its forthcoming thirteenth meeting at Accra, Ghana, in May 1997, to enable the operationalization of the Alliance.

8. We hereby request that the present Declaration together with the plan of action be submitted to the OAU Assembly of Heads of State and Government at its next summit at Harare, Zimbabwe, in 1997.

9. We also decide hereby to reconvene, at the level of Heads of State and Government, in two years' time to review the progress in the implementation of the Alliance.

Abidjan, 23 October 1996

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PERSONNEL MATTERS

Note by the Secretariat

Summary

Provides information on a range of personnel-related issues and updates the information contained in document IDB.15/4.

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Introduction

1. The present document represents a consolidated report on a range of personnel matters combining information on completion of the scheme of separation of personnel, composition of the Secretariat and recent developments in relation to the reform of personnel policies.

I. COMPLETION OF THE SCHEME OF SEPARATION OF PERSONNEL

2. In decision GC.6/Dec.14, the General Conference requested the Director-General to report to the Industrial Development Board at its fifteenth session on the implementation of the scheme of separation of personnel. Document IDB.15/4 reported on the implementation of the scheme up to 1 April 1996. As of that date, the Advisory Group on Human Resource Planning had identified redeployment possibilities for 16 of the 40 staff members whose posts had been identified for abolition under the non-voluntary phase of the staff reduction programme.

3. The Advisory Group completed its review of the remaining 24 staff members in June 1996. As a result of this review and a combination of measures adopted by the Organization such as redeployment of staff to posts in which their services can be effectively utilized, field assignments, release of staff for United Nations peace-keeping missions, 6 staff members were retained in UNIDO service; 4 were selected for a United Nations peace-keeping mission with their separation to take effect upon completion of the mission; and the appointments of 13 staff members were terminated. One staff member is being considered for a disability benefit under the regulations of the United Nations Joint Staff Pension Fund.

4. Concerning the transfer of the language training service, negotiations with UNOV are continuing and thus no information additional to that reported in IDB.15/4 can be provided.

5. In document IDB.15/4, paragraph 14, it was pointed out that the voluntary separation programme, coupled with the approach adopted by UNIDO that included the adoption of expenditure reductions in August 1995, had minimized the scope and number of staff to be affected by non-voluntary separation from service, which was then envisaged to account for only 12 per cent of total staff separations. Indeed, excluding natural attrition, separation of staff through termination of appointment accounted for 12 per cent of total staff separations.

6. Table 1 below shows the number of staff who have separated or will separate from the Organization after special leave in connection with the staff reduction programme and after natural attrition over the period 31 December 1995 to 1 August 1996. The figures are broken down by category, division and gender. General Service staff accounted for 73 per cent of the total number of separations. The Division of Administration had the highest reduction in staff, accounting for 45 per cent of the total.

7. The counselling and support measures reported to the Board at its fifteenth session (IDB.15/4, paras. 15-18), were extended to include the provision of psychological counselling and the provision of services by two external companies specialized in providing advice and individual coaching in facilitating the reintegration of individuals into the labour market following separation from employment.

8. Additional training programmes were conducted in the areas of job search strategies, managing change, résumé writing, career exploration and a redundancy workshop was held for senior managers. A total of 141 participants attended these programmes. Briefings and presentations were also given on pension matters, financial planning, and Austrian unemployment insurance.

9. Document IDB.15/3-PBC/AS.3/3 (paras. 21-26) provided information on the separation indemnity reserve. An update of that information will be included in the report on the financial situation issued to the current session (IDB.16/7-PBC.12/7).

II. COMPOSITION OF THE SECRETARIAT

10. Tables 2 and 3 below provide information on staffing levels, gender balance and geographical representation from the beginning of the present biennium until 1 August 1996. Subsequent reports will update this information in order to show trends in these areas during the course of the biennium. Specifically, table 2 shows the total number of staff in the Professional and higher categories and in the General Service category as of 1 August 1996 with a decrease of 18 per cent compared with 31 December 1995.

11. Table 3 provides comparative information on the geographical representation of staff in the Professional and higher categories, whose appointments are subject to geographical distribution, between 31 December 1995 and 1 August 1996. The percentage of women staff members has slightly decreased by 1 percentage point. Table 3 also shows a total reduction of 32 staff members over the same period.

III. OTHER PERSONNEL MATTERS

12. As reported previously, a new staff performance evaluation system was introduced in January 1996. The system, which is expected to enhance managerial effectiveness and accountability and includes the UNIDO Country Directors, was designed in close consultation with representatives of the staff and takes account of developments within the United Nations common system. The implementation of the new system is being supported by a comprehensive training programme which aims to enhance the skills of managers and staff in defining performance objectives, conducting performance interviews, giving realistic ratings and identifying performance improvements. The implementation of the system is being monitored closely and, if necessary, appropriate adjustments will be introduced in light of the experience gained.

13. A new placement and promotion system has been introduced that enhances the principle of competitiveness in filling vacancies for all categories of staff. The major features of the new system include the active participation of staff members in their own career development, the encouragement of staff mobility and the promotion of staff members once they have been selected for advertised vacancies, provided they have the required seniority in grade. The new system eliminates the necessity for an annual promotion review, thereby streamlining administrative procedures and decreasing the amount of time and resources spent on this activity.

14. Recruitment of consultants and administration of home leave travel within certain limits have been identified as possible applications for the decentralization of the personnel function. Personnel Services has introduced a customer-friendly "one-stop shopping" approach for client divisions whereby designated personnel officers provide operational support and advice on personnel matters to divisional management and staff. This approach is also intended to serve as preparatory step in the direction of a further decentralization of the personnel function into the divisions and eventually to country offices.

IV. ACTION REQUIRED OF THE BOARD

15. The Board may wish to take note of the information contained in the present document.

Table 1

Number of staff who have separated from the Organization in connection with the staff reduction programme and natural attrition over the period 31 December 1995 to 1 August 1996

Category	GM	CFD	RPD	HEPD	ISED	ITPD	DA	TOTAL
Professional	7	12	2	4	7	6	10	48
Female	4	4	1	1	0	0	5	15
Male	3	8	1	3	7	6	5	33
General Service	7	18	9	8	8	10	71	131
Female	7	16	6	8	7	10	36	90
Male	0	2	3	0	1	0	35	41
Total	**14**	**30**	**11**	**12**	**15**	**16**	**81**	**179**
Female	11	20	7	9	7	10	41	105
Male	3	10	4	3	8	6	40	74

Table 2

Comparative table of staff a/

	31 December 1995				1 August 1996 b/				
Category	Male	Female	%	Total	Male	Female	%	Total	Reduction
P5 and above	111	15	12%	126	95	12	11%	107	-15%
P1 to P4	151	66	30%	217	140	57	29%	197	-9%
Subtotal	*262*	*81*	24%	343	*235*	*69*	23%	*304*	-11%
General Service	200	417		617	159	329		488	-21%
Language teacher	2	3		5	2	2		4	-20%
Subtotal	*202*	*420*		622	*161*	*331*		*492*	-21%
Total	464	501		965	396	400		796	-18%

a/ Headquarters staff, including UNIDO Offices at Geneva and New York and UCDs who are Headquarters staff members

b/ Figures take account of expenditure reductions, natural attrition and the staff reduction programme.

Table 3
Professional staff, by List of Member States a/

	31 December 1995				1 August 1996				
List of States	Male	Female	%	Total	Male	Female	%	Total	Variance b/
A and C	90	27	23%	117	79	22	22%	101	-16
B	114	50	30%	164	106	44	29%	150	-14
D	33	1	3%	34	31	1	3%	32	-2
Others	5	1	17%	6	5	1	17%	6	0
Total	242	79	25%	321	221	68	24%	289	-32

a/ In posts subject to geographical distribution.

b/ Increase/decrease in number of staff

Implementation of the UNIDO reform
Action taken since April 1996

Report by the Director-General
to the sixteenth session of the Industrial Development Board
Vienna, 20-22 November 1996

IDB.16/18
4 November 1996
Item 4 of the provisional agenda

Summary

Responds to decision IDB.15/Dec.2 and provides information on further implementation of UNIDO reform since April 1996.

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Introduction

1. In the report to the fifteenth session of the Industrial Development Board on concluding the reform of UNIDO (IDB.15/14), UNIDO reported on action taken in the first quarter of 1996 following the sixth session of the General Conference in December 1995. The document outlined specifically details of the new organizational and staff structure, improvements in the management of UNIDO services and in supporting processes, new programme initiatives and recent developments in the areas of communications and industry links.

2. The Board, in decision IDB.15/Dec.2, requested the Director-General to continue his efforts to implement and conclude the reform process, and report to the sixteenth session on the implementation regarding the following specific reform aspects:

- Decentralization of administrative project approval and implementation tasks;
- Involvement of the private sector in developing countries as a beneficiary and a counterpart of the activities of the Organization;
- Formulation—together with Member States—of a new action-oriented programme for cooperation among developing countries;
- Strengthening the Investment Promotion Service (IPS) network by a more effective coordination mechanism between IPS offices and Headquarters;[1]
- Personnel-related issues such as, in particular, consultations with Member States on appointment of Managing Directors and the revised recruitment scheme.

The present report responds specifically to the above elements of decision IDB.15/Dec.2, and in chapter V provides a status report on UNIDO reform implementation.

I. ADMINISTRATIVE DECENTRALIZATION OF PROJECT IMPLEMENTATION

3. As reported in document IDB.15/14, UNIDO has been revising its project cycle management and related procedures since the beginning of 1996 in order to ensure increased efficiency and full alignment with the new thematic priorities. For this purpose, Director-General's bulletins were issued providing detailed policy guidelines governing both the development and the approval of programmes and projects.

4. Following the conclusion of structural adjustments and the personnel rationalization process, and based on the experience gained in pilot operations with selected substantive implementing units regarding decentralization of certain administrative tasks, the third and final Director-General's bulletin on the management of UNIDO services, covering programme and project implementation is expected to be issued in November 1996. In this connection, it is noteworthy to recognize that overall programme and project implementation responsibilities are for the first time laid down by a separate Director-General's bulletin.

5. As an integral part of UNIDO's quality system for its services, the bulletin defines policies, roles and responsibilities for the implementation of programmes and projects financed from extrabudgetary resources as well as the Regular Programme of Technical Cooperation. The bulletin clearly recognizes that the responsibility for the management of development programmes lies primarily with the Governments, institutions and enterprises of recipient countries. UNIDO's responsibility is the provision of services to assist in the identification, formulation or implementation of programmes and projects, which are provided in direct response to identified needs of clients so as to strengthen national capacities for industrial development.

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[1]To avoid duplication, reference is made to document IDB.16/11, which addresses this issue in section IV.B.

6. Programmes are defined as a series of interrelated projects and other activities under unified programme management. A team leader, proposed by the Programme and Project Review Committee (PPRC) and confirmed by the Policy and Management Committee (PMC), is responsible for the overall management and monitoring of a programme. Responsibility for projects, whether as part of a programme or on the basis of ad hoc requests, rests with project managers, who are appointed by PPRC on the basis of required expertise. Project managers are fully accountable for all actions taken on the project and responsible for planning and management of the implementation process in a timely and cost-effective manner.

7. Implementation is defined as the process of procuring all required inputs, carrying out the activities, producing the outputs and ensuring that these contribute to the achievement of the objective(s) as defined in the project document. Project implementation involves two groups of activities: (a) technical support, including technical monitoring; and (b) administrative and operational services, i.e. project personnel recruitment and administration, training services, equipment purchasing, subcontracting services and financial management.

8. The bulletin defines the distinct responsibilities of project managers on the one hand, and those of the operational support and financial services on the other. The project manager is directly responsible for providing all technical support required by the project and for the initiation, monitoring and coordination of all aspects of project implementation. If necessary, he/she can be supported by other substantive staff, but retains overall responsibility for the project and continues to be accountable throughout the implementation process.

9. Based on experience gained in the pilot operations conducted in late 1995, some administrative project implementation tasks will now be decentralized. This relates to the selection and recruitment of local project personnel and to the delegation of procurement authority in the case of acquisitions up to a value of $20,000.

10. The bulletin also specifies responsibilities for project reporting, project revisions and project completion procedures, and reconfirms existing bulletins relating to internal and in-depth evaluations of UNIDO executed projects.

11. Supporting detailed procedures and mechanisms ensuring smooth application of the new bulletin will be elaborated shortly. Also, the application of the new bulletin will be closely monitored and experience gained assessed after one year. Depending on the results of that assessment, additional steps may be taken towards further decentralization of project implementation functions. In particular, it will be carefully studied to what extent decentralized decision-making can be applied in the UNIDO field offices, following their gradual transformation into stronger and better staffed subregional offices (see document IDB.16/19 for the new approach proposed for UNIDO field representation).

12. In this context, reference is made to the allocation of limited technical cooperation funds that was made in 1995 to two field offices on a pilot basis. These funds were at the disposal of UCDs for either project development or the direct provision of substantive services at the country level. It is now planned, within available resources, to expand this approach to a greater number of field offices.

II. INVOLVEMENT OF THE PRIVATE SECTOR IN UNIDO ACTIVITIES

13. The direct interaction between UNIDO and the private sector has been significantly strengthened in recent years. Indeed, to involve the private sector in UNIDO programmes in a variety of advisory and cooperative function has been one essential dimension of the programmatic reform of UNIDO. This chapter reviews progress in three areas: the establishment of business councils, the involvement of the private sector in UNIDO technical cooperation programmes, and the Organization's interaction with non-governmental organizations (NGOs).

A. Business councils

14. The main objective of the establishment of international and national business councils is to extend and strengthen UNIDO's links with the private sector in an advisory capacity, in view of its lead role in the vast majority of countries as the driving force of industrial development. Two complementary approaches are being developed: the establishment of the International Business Advisory Council (IBAC) at the global level and the creation of National Industrial Business Councils at the country level. Both initiatives are based on discussions and recommendations of the open round table of industrialists during the sixth session of UNIDO's General Conference in December 1995.

International Business Advisory Council (IBAC)

15. UNIDO organized a conference towards the establishment of an International Business Advisory Council from 10 to 11 October 1996. Twenty-four industrial executives from Africa, Asia, Europe and Latin America discussed approaches aimed at helping UNIDO to build more effective partnerships with private industry. The Council will function as a think-tank advisory group for the Organization, helping to build bridges with industry and between industry and government. IBAC's mission is to serve as a global platform to assess key issues which affect business and industry. IBAC will facilitate interaction between industrialists from developed countries and those from developing countries and economies in transition in an increasingly interdependent world. It further endeavours to provide for a world-wide network supporting the efforts of developing countries to join the globalization process.

16. The members of IBAC elected a President and six additional Steering Committee members. It was decided that the Steering Committee will meet on a regular basis to discuss emerging trends and support requirements of industry in their countries, and subsequently recommend to the management of UNIDO the development of new initiatives and programmes. One of the first activities to be undertaken by all members of the Council is to enhance awareness of UNIDO in their own respective countries in order to improve the perception and image of UNIDO world-wide.

National Industrial Business Councils (NIBCs)

17. The establishment of NIBCs has recently been initiated with the cooperation of 12 UNIDO country offices. Some countries have been particularly active, such as India, Mexico and Tunisia, where the Councils are starting to be operational. Following the inaugural conference of IBAC, there has been general support for the establishment of NIBCs. The private sector representatives from Brazil, Egypt and Thailand specifically offered assistance by their national institutions to create NIBCs in their countries.

18. The objective of the NIBCs is to identify demands by the private sector for UNIDO services, provide sources of expertise to UNIDO, provide support to the Organization at the national level, develop and fund joint programmes within UNIDO thematic priorities, and recognize the role of industrial entrepreneurial achievements based on international standards and benchmarking.

19. It is planned to extend the NIBCs to most UNIDO recipient countries, thereby providing the private sector of the developing world with a network for cooperation among themselves and with developed countries.

B. Technical cooperation programmes

20. The growing importance of the private sector as the main agent of industrial development had been identified at the beginning of the reform process as one of the strongest trends to which a renewed UNIDO would have to respond. UNIDO has endeavoured therefore to ensure not only that its services ultimately benefit the private sector—which applies to the great majority of technical cooperation projects—but also to involve private sector entities, above all private sector institutions and associations, more directly as project

counterparts. As reported in the Annual Report of UNIDO 1995 (IDB.16/10, chapter II), the share of private sector counterparts in all UNIDO technical cooperation projects increased from slightly more than one quarter in 1992 to more than half in 1995.

21. The fact that UNIDO is increasingly working in support of the private sector and actively promotes the latter's lead role in industrial development has a number of implications. First, it broadens the range of UNIDO counterparts and leads to direct interaction with industry and industrial associations. Thus, enhanced staff involvement is needed—as compared to traditional "backstopping"—to cater for a variety of innovative implementation arrangements. Secondly, the services demanded from UNIDO have become more specific and sophisticated: up-to-date expertise is needed to advise, for instance on competitive and clean technologies and on quality management. As a consequence, UNIDO staff has to be highly specialized and must command direct industry-level experience so as to be able to compete in a market-driven environment calling for rapid responses.

22. The following sections provide illustrative examples of how the growing role of the private sector in industrial development is reflected in various technical cooperation programmes of UNIDO:

(a) UNIDO's enterprise development and restructuring programme integrates three special areas of relevance for private sector development: (i) privatization, i.e. transfer of ownership of State-owned enterprises, linked with greater reliance on market forces; (ii) enterprise restructuring to improve competitiveness and efficiency; and (iii) quality management: in response to increasing competition, UNIDO's quality, standardization, testing and metrology activities are designed to support private (and public) sectors in the build-up of required technological infrastructure and to sustain privatization and restructuring programmes. Recent successful examples include: formulation of legal framework and ownership rights for privatization and restructuring (Angola, Yemen); launching of an African privatization network (in cooperation with the World Bank); the regional programme for modernization of the capital goods sector in selected Latin American countries; support in quality management to Kenyan enterprises; and the high impact programme on food quality and safety, applying the principles of the UNIDO quality approach to the food-processing sectors of seven African countries.

(b) In the area of industrial policies and strategies, UNIDO supports the formulation and implementation of industrial development policies in a consensual approach through assistance to governments in formulating medium- and long-term industrial development strategies, and to private sector institutions (i.e. manufacturers' associations, chambers of commerce and industry) in order to generate their understanding and interest to cooperate with governmental institutions in formulating and above all implementing industrial policies. Recent examples include UNIDO support to the strategic management of industrial development in Kenya and the medium-term industrial strategy preparation in Viet Nam, in both cases in close interaction with the countries' private sector; the private sector development programme in Uganda; the establishment of an industrial information centre for the Chamber of Manufacturers in Papua New Guinea; and the request from the Confederation of Industrial Chambers of Mexico (CONCAMIN) to assist in formulating a long-term industrial development strategy (Vision 2020), which will be entirely funded from the country's private sector based on pledges already made.

(c) UNIDO's small and medium industries programme aims at the private sector as ultimate beneficiary. Among recent initiatives, encouraging results were achieved with the private sector both as beneficiary and counterpart through the industrial subcontracting and partnership programme and its planned global network, and the UNIDO/Italy joint programme on improving the overall performance and collective efficiency of sectoral clusters of SMEs, by adapting the Italian experience in developing flexible production systems of clusters of SMEs to the needs and specific conditions of selected developing countries.

(d) In the area of industrial information, priority is being assigned to establishing networks in order to provide decision makers, investors, entrepreneurs and other interested professionals with relevant industrial, technological and market information (as implemented successfully in the case of Sri Lanka). Network users

at the international level would also be given access to industrial databases and other relevant international business sources. As a support programme to private sector development, UNIDO operates the international referral system (IRS) as an information brokerage service. It operates by matching clients who have questions on industrial issues with professionals or institutions throughout the world who can provide state-of-the-art, tailor-made answers to those questions. Clients normally are entrepreneurs in developing countries. Information is provided by two distinct groups: (i) specialized information sources, providing information products in order to solve daily production problems or develop new production facilities; and (ii) investment facilitators offering services related to the financing or cooperation (joint ventures, licensing, etc.) aspects of industrial activities.

(e) Among UNIDO's technology-oriented activities, a programme is under preparation with financing from the recipient country itself to promote industrial partnerships, designed to provide industrialists, R and D institutes and other interested parties with assessed information on partnership potentials in selected thematic areas (instrumentation, telecommunications, electronics, etc.).

(f) UNIDO investment promotion programmes for many years have generally involved projects from the private sector or advice to industrial associations or similar groupings. Specifically, UNIDO operates a project with Japanese private sector support to promote cooperation with entrepreneurs in developing countries, and particularly investments in the form of joint ventures. Recently, activities under the programme were reoriented from Asian to African small and medium industries. All investment forums organized by UNIDO are based on intense cooperation with the private sector. This was the case, for example, in the Intechmarts held in India in 1995 and 1996 (in close association with the Federation of Indian Chambers of Commerce and Industry) and the forthcoming forum in the Philippines (in cooperation with the country's Chamber of Commerce and the Philippine Export Association).

(g) UNIDO's environment programme has recently developed a strong emphasis on addressing the needs of the private sector, particularly those of small and medium enterprises, which often face large barriers (both in terms of costs and expertise) in accessing cleaner technologies. Under the Montreal Protocol activities, many of UNIDO's support recipients are private sector companies. In some cases, also clusters of informal sector companies are assisted in their efforts to eliminate ozone-depleting substances. Likewise, the joint UNEP/UNIDO national cleaner production centres programme largely benefits the private sector, *inter alia*, through in-plant demonstrations of cleaner technologies. Specifically, a method developed in the Netherlands in the late 1980s (under the name of PRISMA) has proven to be applicable to the context of small and medium industrial enterprises during a UNIDO demonstration project on waste reduction.

(h) The sector-specific support programmes of UNIDO are also characterized by an increasing involvement of the private sector. For example, in India, a workshop was organized in 1996 in cooperation with the Indian Chemical Manufacturers Association on safety and environmental issues in the country's chemical industry. As a result, the creation of a national networking system is being planned with support from UNIDO to promote integrated safety approaches linking large-, medium- and small-scale operations. In Brazil, an institution-building project applying modern technologies in the country's textiles and clothing industry recently has moved into its second phase. The project is self-financed from industry sources, partly through fees for the services provided to private industrial enterprises.

C. UNIDO cooperation with non-governmental organizations

23. The last two decades have been witness to a significant growth in the number, size and profile of NGOs active in international development. Their contribution to promoting people-centred sustainable development is largely recognized by the organizations of the United Nations system and has been the subject of increased attention by the Administrative Committee on Coordination. In this context, UNIDO is in the process of expanding its cooperation with various types of NGOs active in the industrial sector in developing and industrialized countries as well as in countries with economies in transition. The mandate to strengthen cooperation with NGOs was reinforced in General Conference resolution GC.6/Res.16, which, together with

resolution GC.6/Res.7 on environmentally sustainable development, endorses the recommendations of the first UNIDO NGO Forum on Cleaner Industrial Production held from 30 November to 1 December 1995.

24. Emphasis is placed on enhancing NGO participation in all priority areas of UNIDO, on expanding the network of industrial NGOs cooperating with UNIDO on a regular basis, increasing the number of NGOs in consultative status, on further developing programmes and projects, as well as on establishing a comprehensive industrial NGOs database. A number of activities with NGOs have been undertaken in 1996. Two meetings were jointly organized with the Institute of Higher Management and with Nimtech under the theme of transfer of cleaner technology and investment opportunities in cleaner production (IDB.15/11, paras. 7-9). During Habitat II, UNIDO and the International Network for Environmental Management (INEM) organized a round table on sustainable industries for cities at the World Business Forum. Business and industrial information in a globally networked society were discussed with international NGOs at a panel discussion during the Conference on Globalization of Information held in Graz, Austria from 20 to 25 October 1996 (IDB.15/11, para. 15). Furthermore, challenges and commercial opportunities associated with cleaner production in Central and Eastern Europe will be discussed at a meeting jointly organized by UNIDO and the Austrian Society for Environment and Technology to be held on 5 November 1996 in Vienna. At the Forum, which is open to the Austrian public and the private sector as well as organizations involved in promoting cleaner production, concrete case studies and a catalogue of cleaner production projects in Central and Eastern Europe will be presented.

25. Planned activities with NGOs in 1997 include cooperation with business and industry NGOs in energy projects within the framework of the United Nations Framework Convention on Climate Change; with trade unions, universities and training centres in the preparation of the NGO forum on industries for the twenty-first century with emphasis on workforce requirements in industry, to be held prior to the seventh session of the General Conference; and with international and national African NGOs concerning their experience in support of micro- and small-scale enterprise development in the context of the programme for the Alliance for Africa's Industrialization.

26. In order to further associate NGOs with the Organization's effort to promote and assist industrialization, UNIDO is refining its concept of involving NGOs more deeply at all levels of its activities, including technical cooperation, programme development and implementation. In this context, cooperative and innovative approaches between the public and private sector are being increasingly fostered by UNIDO. A recent example of this approach is a project co-financed by the Swiss Government and a Swiss NGO that provides the services of a junior expert in support of UNIDO activities with NGOs.

III. ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

27. The importance of economic and technical cooperation among developing countries (ECDC/TCDC) has been recognized by the international community for many years and enjoys the full commitment and support of UNIDO. At the same time, it is recognized that despite the continuous efforts of all actors involved, the ECDC/TCDC modality has not been developed to its full potential. UNIDO is convinced that the concept will in future assume increased importance in the light of the changing international political and economic environment and its impact on the traditional structure of multilateral technical cooperation.

28. With the aim to move away from traditional ECDC/TCDC programmes and projects, such as provision of training and expertise or holding of stand-alone expert group meetings with only limited impact, UNIDO is redirecting the focus of its ECDC/TCDC programmes towards high impact activities at both regional and interregional levels, within the framework of the Organization's thematic priorities.

29. Based on a series of internal and external consultations on the development of new programmes, and given the specific experience and know-how available at UNIDO, the emphasis of ECDC/TCDC support

activities will in future be directed towards strategic initiatives that are likely to have a major impact on a large number of developing countries, and will encompass major development issues and themes, such as investment, transfer of technology, environment and sustainable development, human resources development, energy and rural development, and promotion of small and medium-sized industries.

30. Bearing in mind the growing differentiation among groups of developing countries in different regions and the need to select differentiated strategies in the development of programmes so as to reflect varied requirements, UNIDO support to ECDC/TCDC efforts will concentrate on the following areas:

(a) Support to regional and interregional groupings, such as the Group of Fifteen, the Association of South-East Asian Nations, the Common Market of the Southern Cone, the Southern African Development Community and others, to promote economic cooperation and integration among developing countries: specific programmes will be formulated in response to the special needs and requests of each grouping;

(b) Promotion of technical cooperation from the more advanced developing countries to least developed countries: specific cooperation programmes will be developed in the areas of textiles and clothing, solar energy technology, environment protection and metrology;

(c) Programmes to encourage the channelling of technical, managerial and financial resources to less developed countries through the promotion of enterprise-to-enterprise cooperation: emphasis will be given to agro-industry, low-cost building materials, and renewable energy resources;

(d) Creation/strengthening of an investment promotion and technology information network among developing countries: efforts will be made to promote investment flows among developing countries, linkages between research and development institutions, institutional training programmes in specialized technological fields and centres of excellence at subregional and regional levels.

31. UNIDO has actively participated in the preparations of the Group of 77 South-South Conference on Trade, Investment and Finance, scheduled to take place in Costa Rica in January 1997, and will contribute three specific elements to the Conference itself: (a) a study on industrial development trends and their implications for South-South cooperation; (b) a UNIDO plan of action for supporting South-South cooperation in the field of industry; and (c) a presentation of key UNIDO programmes, networks, information services and related software through specialized staff.

32. Further to the cooperation with the Group of 77, UNIDO is cooperating with the Group of Fifteen, specifically its Committee on Investment, Trade and Technology, with a view to utilizing the great potential of more advanced developing countries for the benefit of others, particularly the least developed countries.

33. ECDC/TCDC financing and resource mobilization will be pursued both with the developing countries themselves and with the donor community. In this context, it should be recalled that one of the underlying principles of ECDC/TCDC has always been that the primary responsibility for initiating, organizing and financing these activities rests with the developing countries themselves. Over the years, a number of these countries have actively supported the programme and contributed substantially to the Industrial Development Fund in this regard.

34. UNIDO specifically supports initiatives towards co-sponsoring ECDC/TCDC programmes on a cost-sharing basis and will seek to complement such efforts, *inter alia*, by promoting triangular cooperation, which will involve the participation of developed countries. For example, in 1996 UNIDO began implementation of a project in which, under Japanese funding, investment project appraisal expertise from the Philippines is being applied in Kyrgyzstan. Eventually, the project will result in a portfolio of investment opportunities for promotion through the UNIDO IPS office in Tokyo.

35. As its own contribution to support ECDC/TCDC activities emanating from the developing countries, UNIDO is planning to allocate resources from the Regular Programme of Technical Cooperation to the establishment of an umbrella facility for funding of preparatory and seed activities.

IV. PERSONNEL ISSUES

A. Recruitment

36. In accordance with Article 11, paragraph 5, of the Constitution and decision IDB.15/Dec.2, due regard is paid by the Director-General of UNIDO to the importance of recruiting staff on a wide and equitable geographical basis. The Organization is therefore concentrating efforts to attract applications from qualified candidates from non- and under-represented countries while at the same time paying attention to increasing the representation of women in the Organization. With this in mind, vacancy announcements have been circulated in a proactive manner by using electronic mail, advertisements in economic publications in selected countries and other specialized journals with wide distribution. As a result, the applications received for the three vacant Managing Director posts (D-2) show a clear majority from countries included in List A (between 52 per cent and 75 per cent of applications for individual posts).

37. In order to improve the gender balance within the Secretariat, a world-wide network of various contact sources, such as focal points on women, women's institutions and NGOs, has been put in motion. This network has been initiated in order to encourage qualified women to apply for positions in UNIDO and to update the Organization's roster of potential candidates.

38. In the selection process for all vacant posts, high participation by the Managing Directors and senior staff is ensured from screening of candidates through interviews to the final selection. Managing Directors, with the assistance of the Recruitment and Staff Development Section, are responsible and accountable for the human resources planning within their Divisions. In order to support the Divisions, three personnel officers will function as a core group to facilitate close cooperation with the Divisions in such matters as staffing and recruitment planning, job descriptions and vacancy announcements, appointment and reassignment of staff, entitlements and claims, professional development and counselling and separation of staff.

39. In document IDB.16/17, a new placement and promotion system is reported, which will enhance the principle of competitiveness in filling vacancies for all categories of staff and eliminate the annual promotion reviews. The major features of the system are the active participation of staff in their career development, the encouragement of staff mobility and the promotion of staff members who are selected for advertised vacancies, provided certain seniority requirements are met. The implementation of the new system is under way and will include transition measures in order to ensure that changes in staff functions that have taken place, are taken into account.

B. Consultations with Member States

40. In compliance with decision IDB.15/Dec.2, para. (e), the Director-General has been in frequent and close contact with Member States concerning the three posts of Managing Director of the Divisions of Administration, Industrial Sectors and Environment, and Research and Publications. In addition to specifically writing to some Member States and regional group representatives, 35 formal bilateral consultations have taken place. Additionally, during mission travel in 1996, extensive consultations were carried out in capitals and at United Nations Headquarters in New York with Heads of State and Ministers of Foreign Affairs and of Industry.

41. A recruitment strategy was designed for providing priority information to Mission representatives, utilizing expertise of other United Nations agencies, attracting candidates from industry-related organizations,

especially in under- and non-represented countries, advertising in specialized publications and local newspapers, encouraging applications from women nationals from all Member States and maintaining an adequate regional balance.

42. Specific recruitment actions taken include: job profiles distributed to all Member States, and selected United Nations agencies, local press advertisements in non- and under-represented countries, special letters to chairpersons/presidents of industry-related organizations in selected countries, job search through a dedicated publication for high-level international employment, and an appeal to all Ministers of Foreign Affairs and Industry in the African region to submit qualified candidates.

43. A total of 91 official applications (seven of the applicants female) were received for the three positions. The background of serving staff also was reviewed and the Director-General has met with UNIDO staff members who have expressed an interest in the vacancies. The possibility of reassigning serving Managing Directors has been given due consideration. The Director-General and other senior staff have also personally interviewed seven external candidates, five from List A (including one woman) and two from List B.

44. In a meeting on 8 October 1996, Ambassadors of Member States were briefed on the recruitment and consultation process and the Director-General shared his selection criteria and his conclusions as to the selection of candidates for the three D-2 posts. Owing to one internal reassignment, an additional recruitment effort will be made to fill the post of Managing Director, Country Programmes and Funds Mobilization Division. It is intended to fill the post with a candidate from the African region, preferably from sub-Saharan Africa. Women candidates will be given special consideration.

V. STATUS OF REFORM IMPLEMENTATION

45. In document GC.6/30 (para. 34), a timetable was established for the full implementation and fine-tuning of the UNIDO reform. Progress achieved up to April 1996 in carrying out the tasks to be completed was reported in document IDB.15/14 (para. 70, table 2). At that time, most items of the reform agenda already had been covered. Information is provided below on action taken with regard to those reform elements which had not been fully completed in April 1996.

(a) Formulation and issuance of Director-General's bulletins establishing procedures for, and specifying the application of, basic management principles

46. A Director-General's bulletin (UNIDO/DGB(G).1/Rev.1) was issued in October 1996 setting general standards for the issuance of future bulletins. The new bulletin at the same time eliminates over 150 old and obsolete bulletins and renumbers the remaining 49 bulletins which are still valid, thereby clarifying their status.

47. In April 1996, Director-General's bulletins UNIDO/DGB(E).11 and UNIDO/DGB(M).12 were issued to clarify procedures for outgoing correspondence and management of official travel. Responsibilities, authority and accountability of staff in different units are clearly defined, applying the new management principles. Similarly, Director-General's bulletin UNIDO/DGB/(O).13 was issued, establishing new procedures to manage publications.

48. Furthermore, several Director-General's bulletins have been drafted to support the implementation of the new management principles in areas such as executive reporting, internal control, committee work and external auditing procedures.

49. Apart from their incorporation in new bulletins, the seven management principles (empowerment, accountability, transparency, action/decision orientation, result orientation, balanced management and leadership) are generally taken into account in designing new procedures and guidelines. One example is the

new job description for Managing Directors, which clarifies their authority and accountability. The principles are also applied to define desirable standards when management audits are conducted by Internal Audit.

(b) Formulation of revised project cycle management procedures, including coverage of the post-approval stage, viz. implementation, monitoring and evaluation.

50. The formulation of revised project cycle management procedures has been fully completed, as reported in greater detail in chapter I of the present report.

(c) Harmonization of procedures and simplification of accounting procedures for UCD and IPS offices

51. In line with UNIDO's reform process and the new management principles, new procedures and administrative guidelines have been developed to simplify administration and give greater autonomy and flexibility to the IPS offices.

52. The objectives of the new procedures are:

- To simplify the financial implementation of IPS projects, including settling of travel claims;
- To delegate to IPS offices the authority to incur certain expenditures, hitherto administered by Headquarters;
- To delegate the authority for some recruitment and procurement actions;
- To streamline monthly reporting of accounting transactions by IPS offices, whilst ensuring that a high standard of financial reporting remains intact.

53. These procedures, some of which are already being applied, will come into effect shortly. A training workshop for IPS office staff was held in April 1996, and an updated version of the Operational Manual for UNIDO Investment Promotion Service offices will be published by the end of 1996 incorporating the most significant aspects of the reform, i.e. delegation, accountability and transparency. The Heads of the IPS offices will be authorized by the Director-General to assume the full responsibilities contained in the new procedures, thus completing the process of administrative and financial decentralization for the IPS offices.

54. As mentioned in paragraph 11 above, the further decentralization and delegation of authority to UCD offices will be reviewed following the introduction of subregional offices as proposed to Member States in document IDB.16/19. Meanwhile, a new quarterly reporting system for UCDs was introduced, linked to the annual work programme of field offices and establishing uniform reporting requirements. The system emphasizes four dimensions of the work of the UCD: programming; funding; meetings and missions; and issues related to JPOs, Associate Experts and other staff. The consistent application of the new reporting system is monitored by the Field Representation Support Unit in the Country Programmes and Funds Mobilization Division.

(d) Formulation of a new MIS strategy and policies

55. In view of the transition period following the staff reduction exercise and the organizational restructuring of UNIDO, the formulation of an information technology (IT) strategy has been slightly delayed. It will be completed by the end of 1996.

56. The new IT strategy will provide the framework for the management of information as an institutional resource and will define the goals to be achieved for the next three to five years as well as the means to achieve such goals. The IT strategy will include: (i) an overall needs analysis of the support which information technology should provide to business processes as well as to administrative services of UNIDO; (ii) an assessment of the current situation; (iii) a technical architecture in the form of overall standards of hardware, software, databases and networks; (iv) an organizational architecture to define the role of

committees, the organizational structure and placement of MIS within the Organization, the core services that should remain centralized and the services that have potential for decentralization; (v) a prioritization exercise to be carried out by the Information Technology Management Committee based on the availability of human and financial resources; and (v) a document that describes the macro-level strategy, from which, as an immediate step, the 1997 work plan for IT activities will result.

(e) Introduction of internal cost accounting system allowing comparison between costs incurred and income earned at the Programme level

57. The new internal cost accounting system has been developed and implemented. Based on the new system, an internal report is being produced on a monthly basis as a management tool.

(f) Complete overhaul of personnel policies and procedures, with particular attention to recruitment, accountability, and staff rewards and career development

58. The complete overhaul of personnel policies and procedures has been characterized by the following elements:

(i) A new customer service approach—Divisional personnel officers now provide full-range personnel services to the management and staff of the Division to which they are assigned, from human resources planning to a streamlined recruitment process, as well as the reassignment, contract administration and termination of staff. This has been achieved through a functional reorientation without additional staff resources;

(ii) Decentralized structure for the personnel function and accountability of line managers—Divisional personnel officers establish intra-divisional teams with divisional administrative and other staff as the basis for a customer-driven decentralization of the personnel function. Divisional managers have been made accountable for appropriate recruitment planning, appointment of staff in observance of established criteria for geographical and gender balance and for the evaluation of staff performance;

(iii) Delegation of personnel authority—Personnel authority and accountability have increasingly been delegated to the lowest possible functional levels, including to personnel assistants and clerks where the application of routine procedures is involved;

(iv) Personnel policy development through multidisciplinary, self-directed teams—Several working groups of the Joint Advisory Committee (JAC) have been tasked to develop and implement new policies and procedures on staff communications and management of change, staff advancement through learning, mobility and succession planning, advancement of women, staff rewards, etc. These working groups are chaired by members of JAC and consist of a wide organizational cross-section of staff serving in their personal capacity. Their work is tightly scheduled and monitored by JAC, which makes recommendations to the Director-General.

The appointment and promotion bodies have been reconstituted to advise on new recruitment and selection policies in addition to their traditional task of making selection recommendations to the Director-General. This includes monitoring of the established criteria for geographical and gender balance. Their membership is oriented at geographical, divisional, gender and grade criteria;

(v) Intensified staff relations at four distinct levels—Formal interaction between management and staff occur at the level of: (a) JAC and its working groups; (b) the President of the Staff Union and the Director of Personnel Services; (c) the divisional personnel officers and staff representatives; and (d) the Staff Council and the Director-General. In addition, there are numerous informal means of communication.

59. The new promotion system as described in paragraph 39 of the present report encourages staff mobility and provides an effective means of career development. In addition, the system of annual staff awards for distinguished service as introduced in 1995 will continue to be applied, thereby providing incentives for both team performance and individual achievements.

VI. OUTLOOK

60. From the above status report, it follows that UNIDO has virtually completed its reform agenda. The main outstanding issue is the finalization of a new information technology strategy which is scheduled to be completed at the end of 1996.

61. While the reform agenda as such has now been practically covered, there is clearly a need to ensure that the new priorities, approaches, mechanisms and procedures which have been introduced over the last three years are closely monitored as to their functioning and impact. Experience needs to be assessed at regular intervals and continuous improvements made within the overall concept of UNIDO as a "learning organization".

62. From the outset, it was envisaged to translate the efficiency gains of a reformed UNIDO (the "reform dividend") into an increased level of services to recipient countries, i.e. to improve the balance between resources allocated to substantive programmes and projects of the Organization and those allocated to administrative and support activities. However, as a result of the announced withdrawal of the USA from UNIDO, it has not been possible to covert the reform dividend immediately into enhanced programme delivery; instead, it was diverted into budgetary and staff reductions while roughly maintaining the same level of services.

63. Notwithstanding the above, the basic concept remains valid: any efficiency gains resulting from future continuous improvements and cost reductions at UNIDO, in particular in the area of administrative overheads, would be redeployed into substantive priority programmes and thus passed on to Member States in the form of additional services. In this process, UNIDO will further develop and refine the priorities established jointly with Member States and will sharpen its focus on those areas where the Organization commands superior expertise as compared to other United Nations agencies and thus can bring to bear on industrial development its comparative advantage.

VII. ACTION REQUIRED OF THE BOARD

64. The Board may wish to take note of the contents of the present document which, together with documents GC.6/30 and Add.1 and IDB.15/14, provides a summary account of the process and results of UNIDO reform.

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PR

FIELD REPRESENTATION

UNIDO field representation

Report by the Director-General

Summary

Describes the current field representation programme and proposes a new framework for the programme after 1997.

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Introduction

1. In its decision IDB.15/Dec.8, the Industrial Development Board took note with concern of the current financial difficulties facing UNIDO in continued implementation of the field representation programme as outlined in document IDB.15/12 and Corr.1, emphasized the importance of the UNIDO field presence in the developing countries, and urged all Member States, on a voluntary basis, to make all possible efforts to increase contributions in support of this programme.

2. The Board requested the Director-General to continue to implement General Conference resolution GC.6/Res.3, especially paragraphs 2 (a) and 2 (c), requesting him: (a) to consider that the sustainability of the field representation programme could be secured only through the combination of financing from various sources, including the regular and operational budgets, the United Nations Development Programme, as well as donor and host country contributions; (b) to improve the harmonization and simplification of procedures for UNIDO Country Director offices and coordination between Headquarters and the field; (c) to take into account, in the implementation of the UNIDO Country Director programme, the special needs of the least developed countries (LDCs) and the possibility of clustering the UNIDO field offices; and (d) to ensure UNIDO cooperation to work for the effective planning and implementation of activities in the field within the United Nations system in consultation with the Resident Coordinator with a view to attaining a more unified field representation. The Board also requested the Director-General to report to the Industrial Development Board at its sixteenth session on the implementation of that decision.

3. At a time when the demand for UNIDO services is increasing, the UNIDO field representation programme is severely hampered by financial uncertainties due to the discontinuation of United Nations Development Programme (UNDP) sectoral support funding at the end of 1997 as well as negative growth in UNIDO regular budget resources. Acknowledging the new financial realities, a new approach is required with a view to developing a field representation system that is sustainable within a realistic resource scenario. It is proposed to reorient UNIDO field representation towards coverage on a subregional basis, coupled with adjustments in functions and resource endowments. The present document provides information on the current status of the UNIDO field representation programme and sets out an outline of the proposed change towards a subregional structure, expected to come into operation in 1998.

I. CURRENT STATUS OF THE FIELD REPRESENTATION PROGRAMME

4. As of 31 July 1996, UNIDO maintained 40 field offices covering Africa (14 field offices), Arab States (4 field offices), Asia and the Pacific (9 field offices), Europe and the Newly Independent States of the former Soviet Union (NIS) (2 field offices) and Latin America and the Caribbean (11 field offices). The staff structure of the UNIDO field offices by region is shown in table 1 below.

Table 1. Staff structure of UNIDO field offices

(as of 31 July 1996)

Region	No. of offices	Staff				
		UCD	UND	JPO/AE[a]	NPO	GS
Africa	14	12	0	21	1	27
Arab States	4	3	0	2	1	7
Asia and Pacific	9	6	1	18	3[b]	19
Europe and NIS	2	0	0	3	1	4
Latin America and the Caribbean	11	5	0	12	2[c]	18
Total	40	26	1	56	8	75

[a]Indicates Junior Professional Officers/Associate Experts who are posted either in countries where a UNIDO Field Office is located or in countries of coverage.

[b]Includes an Industrial Development Adviser.

[c]Includes a Programme Officer.

5. Of the 40 UNIDO field offices, 21 also covered some of the neighbouring countries. Such coverage is normally secured through regular missions undertaken by the respective UNIDO Country Director (UCD). As of 31 July 1996, 26 field offices were headed by UCDs, one by a UNIDO National Director (UND), six by National Programme Officers (NPOs) and five by Junior Professional Officers (JPOs). Two offices had no Professional staff assigned at that date. The present average structure of a UCD office consists of a UCD and two General Service staff members. It is obvious that such a limited staffing is not satisfactory to ensure an adequate and efficient "*in situ*" response to the growing support requirements of developing countries.

6. With the cessation of funding from UNDP sectoral support at the end of 1997, the provision of regular and operational budget resources in 1998-1999 at the current biennium levels will not be sufficient to fund the current field office coverage.

7. The Director-General has continued to solicit host country contributions towards local office costs and has met with encouraging response. As of 31 July 1996, 26 host countries—of which six were LDCs—had either contributed in kind or in cash towards the local office costs or indicated willingness to undertake a commitment. No response has been received to the call for voluntary contributions towards the funding of field offices from the donor community.

II. REORIENTATION OF THE UNIDO FIELD REPRESENTATION PROGRAMME TOWARDS SUBREGIONAL OFFICES

8. The Organization has been requested repeatedly by Member States to concentrate its efforts on enhancing its field representation programme, *inter alia*, through clustering of offices or by establishing regional or subregional offices. In view of the limited funding expected to be available starting in 1998, it is proposed to reorient the UNIDO field representation programme towards a subregional coverage, the main elements of which are described below. The rationale is to enable UNIDO to build up effective field teams that would be able to cover a wider range of functions and services, while optimizing the use of limited resources through concentration on fewer but larger field offices. This new approach will have to be developed within the constraints of a zero real growth budget.

A. Overall approach

9. The new concept for UNIDO field representation is based on the principle of a network of two interconnected layers of coverage: subregional offices and national focal points. The subregional offices would be organized as multi-service providers for clusters of countries in various subregions. The staff teams in these offices would be able to effectively and promptly respond to the demands for and requirements of services in the countries of coverage. Their functions would significantly differ from those of field representation staff under the current system. Details of these functions are provided in paragraphs 12 and 13 below.

10. To ensure an effective coverage of the countries in each subregion, the subregional offices must be interconnected with national focal points in individual countries, which should normally be attached to suitable public or private local entities and would report to the UCD of the respective subregional office. In principle, national focal points could be located in Investment Promotion Service (IPS) offices where they exist, the Industrial and Technological Information Bank (INTIB) focal points, chambers of commerce, industrial associations, development finance institutions or any other suitable local entity designated by the respective Government.

11. Junior Professional Officers and Associate Experts would be assigned to the subregional offices and to individual countries. They would assist the Professional-level staff in the subregional office and, in the countries of coverage, work together with the national focal points.

B. Key functions

12. The counterparts for UNIDO services have become increasingly heterogeneous. Today, UNIDO works more closely with the private sector, *inter alia*, through industry associations and chambers and industry-related non-governmental organizations (NGOs). Also, within Governments, various departments deal with industrial development at the central and provincial levels, partly as a result of strong decentralization moves. At the same time, the funding agencies for UNIDO services—following the drastic decline in UNDP funding—have significantly diversified. Accordingly, UNIDO field offices have to move away from their traditional emphasis on coordination, monitoring and representation functions, and concentrate on activities ranging from proactive promotion of UNIDO services to country-level funds mobilization, provision of information services directly to host country entities and direct support to technical cooperation.

13. In the new framework, the main functions of staff in subregional offices will include:

(a) Active programming and programme development through analysing industrial trends and issues in the countries concerned, and proposing concepts for effective technical cooperation programmes in line with country demands and UNIDO priorities;

(b) Promotion of contacts with potential bilateral and multilateral donors and regional financial institutions to mobilize funds at the level of the recipient countries for financing UNIDO services;

(c) Selective implementation of technical cooperation projects;

(d) Direct provision of advisory services to private and public support institutions dealing with industry and industry-related activities.

14. Accordingly, subregional offices will require adequate staffing. The current structure of field offices with a UCD covering one or more countries is insufficient to meet the new challenges and respond promptly to the requests and needs of the countries concerned. In the face of a greater variety of tasks assigned to the field offices, the future UNIDO subregional office will be staffed by a team of international and local experts. It will be headed by a UCD, who will be assisted by a professional officer (preferably at the P-3/4 level), an NPO to be provided by the host country, a JPO or Associate Expert to be financed from donor Governments, and three General Service-level staff members. It should be noted that the proposed team constitutes minimum requirements and could be enlarged through further contributions from host or donor Governments.

C. Geographical coverage

15. Ideally, but not exclusively, the subregional field offices should cover groups of countries with similar industrial structures and development requirements. Similarities in levels of industrialization, economic and social structures, and institutional environment suggest the adoption of similar industrial strategies and supporting technical cooperation programmes in those countries that share those attributes.

16. However, for the purpose of field coverage, it would not be possible to always cluster countries on the basis of the above-mentioned aspects. Among the most important additional criteria that are relevant for the selection of host countries for subregional offices, the following will receive particular attention:

(a) Interest expressed by host country Governments and the degree of commitment to contribute to local office costs (in kind and/or in cash);

(b) A political environment that is conducive to efficient functioning of the field offices in the countries covered by them;

(c) Present scope and potential growth of UNIDO programmes in the country;

(d) Geographical proximity to subregional trade groupings or other institutions, e.g. development finance institutions, regional commissions and other organizations that are likely to become involved as partners in UNIDO programmes;

(e) Availability of infrastructure, such as travel and communications facilities, crucial for discharging the functions of the office.

D. Financial sustainability

17. If the financial assumptions described in the following paragraphs are realized, UNIDO expects to establish 20 solid and sustainable subregional offices in Africa, Asia and the Pacific, Latin America and the Caribbean and in the Arab region. In the final selection of clusters, particular attention will be given to the requirements of least developed countries, the majority of which are located in Africa. More definite proposals on the number of subregional offices in individual regions would be developed in due course.

18. Within the limits of zero real growth budgets, UNIDO resources that are expected to become available for field representation in the 1998-1999 biennium would be equivalent to those available in the 1996-1997 biennium, i.e. $4.3 million from the regular budget and $5.6 million from the operational budget. In addition, host Government contributions in cash and in kind towards local operating costs, valued at $600,000 for the current biennium, are expected to double in the 1998-1999 biennium. Funds from UNDP will no longer be available and voluntary contributions from donor Governments cannot be assumed.

19. Given the expected volume of financial resources from both the operational and regular budgets, the implementation of the subregional structure of UNIDO field representation as described above will be feasible only if:

(a) Host countries significantly contribute towards local office costs;

(b) Donor countries finance a sufficient number of JPOs and Associate Experts;

(c) Recipient countries provide National Programme Officers and focal point arrangements free of charge;

(d) A number of Professional posts and staff are redeployed from UNIDO Headquarters to the field.

20. Under these conditions, the Organization could sustain 20 subregional field offices.

21. More specifically, UNIDO would have to concentrate resource negotiations on the following strategies:

(a) Host countries should increase their contributions in cash and kind to one third of local operating costs of the subregional office;

(b) Host countries will be requested to finance a National Programme Officer and at least one General Service-level post;

(c) Donor countries as well as some of the more advanced recipient countries will be requested to increase the funding for JPOs and Associate Experts. In this context, UNIDO will also target non-traditional donor Governments that have not so far provided these types of contributions;

(d) Focal point offices in the countries of coverage—irrespective of individual arrangements—will have to be self-financed without constituting an additional financial burden on the UNIDO field representation programme.

E. Performance incentives and decentralization of authority

22. To enable the field offices to become increasingly self-supporting, UNIDO intends to introduce an incentive mechanism coupled with increasing decentralization of programming and financial authority, which would encourage good performers. This mechanism will be based primarily on individually established targets for programme development by each office, and could eventually result in the partial retention of the income earned from programmes developed above the target levels. Furthermore, authority would be delegated to field offices to utilize such resources for future programme development. The introduction of the new incentive scheme—coupled with increased authority at the level of the UCD—is expected to enhance the performance, effectiveness and efficiency of field representation.

F. Additional measures

23. **Career development**. In order to promote a better integration of field staff with Headquarters and ensure the development of career perspectives, previous field assignments will be considered favourably by the Appointment and Promotion Board. Field experience will be essential, particularly in the case of promotions from P-4 to P-5 and from P-5 to D-1; UNIDO will develop a rotation scheme that will promote field assignments of staff from Headquarters and ensure adequate reintegration of international field staff to Headquarters. UNIDO also intends to undertake the necessary measures to eliminate any distinction in the status between Headquarters staff and international staff assigned to the field.

24. **UCD profile**. Despite the present budget restrictions, UNIDO will undertake a targeted training and retraining programme to ensure that its field staff are better suited to the demanding requirements of the new UCD profile. A special "field induction programme" will be established for Headquarters staff before redeployment to the field.

25. **Field coordination**. Regional Directors will be responsible for the overall supervision of the respective UCD offices and national focal points. However, the incumbent UCDs will perform the day-to-day liaison function with national focal points which will be established, based on full cost coverage by host countries, to ensure an optimal geographical coverage.

26. **Field representation manual**. Upon approval by Member States of the present proposal UNIDO will develop a field representation manual which will provide a detailed elaboration of the new UCD profile, its functions and those of the national focal points, its linkage with Headquarters and overall supervision by the regional bureaux. The manual will also establish the coordination required with other UNIDO offices in the field such as the IPS offices. The new UNIDO field representation manual will give special emphasis to the decentralization of authority to UCDs.

III. ACTION REQUIRED OF THE BOARD

27. The Board may wish to consider the information provided in the present document and make appropriate recommendations to strengthen UNIDO field representation. Specifically, the Board may wish to request the Director-General: (a) to develop, in consultation with Member States, a specific proposal for country coverage and location of subregional field offices; (b) to gradually implement the new approach over the next two years; and (c) to make appropriate provisions in the proposed 1998-1999 biennium programme and budgets that would enable further redeployment of posts to the field.

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Item 14 of the provisional agenda

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE

Preparation of the provisional agenda for the seventh session of the General Conference

Note by the Secretariat

1. In accordance with Article 9.4 (g) of the Constitution, the Board prepares the provisional agenda for each session of the General Conference.

2. The seventh session of the Conference has been scheduled to take place in Vienna from 1 to 5 December 1997 (GC.6/Dec.22). The Board will have the opportunity to prepare the provisional agenda for the Conference either at its current session or at its seventeenth session, which is tentatively scheduled for 23 to 27 June 1997.

3. In order to enable Member States as well as the Secretariat to start preparations for the Conference well in advance, it would be advisable to have an indication as early as possible of the items that are likely to be discussed on that occasion. A tentative list of items could thus be agreed upon at the current session and reviewed by the Board at its seventeenth session, when the provisional agenda would be finalized. At that time, supplementary items arising from the current and seventeenth sessions of the Board could be added as required.

4. Rule 13 of the rules of procedure of the Conference provides guidelines for the contents of the provisional agenda of a regular session of the Conference. Furthermore, at its sixth session the Conference decided to consider a certain number of items at its next session. On the basis of these and other provisions, the Secretariat is presenting to the Board in the annex to the present document a list of those items which the Conference will have to consider in accordance with existing mandates. The order in which the items are listed in that annex does not reflect any indication on the part of the Secretariat as to the priority to be given to those subjects.

ACTION REQUIRED OF THE BOARD

5. The Board may wish to consider the proposals annexed to the present note and adopt a tentative provisional agenda for the seventh session of the General Conference, which could be reviewed by the Board at its seventeenth session.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

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Annex

ITEMS TO BE CONSIDERED BY THE GENERAL CONFERENCE IN ACCORDANCE WITH CURRENT MANDATES

	Item	Mandate
1.	Opening of the session.	Rule 34
2.	Election of officers:	Rule 35
	(a) Election of the President;	
	(b) Election of other officers.	
3.	Adoption of the agenda.	Rule 17
4.	Organization of work.	Rules 44-47
5.	Credentials of representatives to the Conference.	Rule 28
6.	Elections to organs:	Rule 102
	(a) Industrial Development Board;	
	(b) Programme and Budget Committee.	
7.	Reports of the Industrial Development Board on the work of its fifteenth, sixteenth and seventeenth regular sessions.	Rule 13.1 (c)
8.	Annual reports of the Director-General on the activities of the Organization for 1995 and 1996.	Rule 13.1 (b)
9.	Policy framework of UNIDO.	GC.6/Res.1, para. 5(c)
10.	Financial matters:	
	(a) Financial situation of UNIDO;	GC.6/Dec.15 (f)
	(b) Scale of assessments of Member States;	Rule 13.1 (k)
	(c) Working Capital Fund;	Financial regulation 5.4
	(d) Appointment of external auditor.	Financial regulation 11.1 GC.6/Dec.18
11.	Financial Regulations of UNIDO	
12.	Medium-term programme framework, 1998-2001.	GC.2 Dec.23 (b)(vi) GC.6/Dec.10
13.	Programme and budgets, 1998-1999.	Rule 13.1 (i)
14.	Development of human resources for industry.	GC.6/Res.4, para. 2
15.	Integration of women in industrial development.	GC.6/Res.5, para. 3
16.	Environmentally sustainable industrial development.	GC.6/Res.6, para. 6
17.	Industrialization of the least developed countries.	GC.6/Res.8, para. 3(c)
18.	Private sector development.	GC.6/Res.9, para. 2
19.	The regional dimension:	
	(a) Africa (in particular the Second Industrial Development Decade for Africa);	GC.6/Res.11, para. 2(d)
	(b) Arab countries programme, including technical assistance to the Palestinian people;	GC.6/Res.12, para. 3
	(c) Asia and the Pacific;	GC.6/Res.13, para. 3
	(d) Latin America and the Caribbean.	GC.6/Res.14, para. 2
20.	Personnel matters: United Nations Joint Staff Pension Fund.	GC.6/Dec.19
21.	Matters related to intergovernmental, non-governmental, governmental and other organizations.	GC.1/Dec.41, annex
22.	Appointment of the Director-General.	Rule 103
23.	Date and place of the eighth session.	
24.	Closure of the session.	